SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

FRIDAY, MAY 12, 1950

WITNESSES

Miss Joy A. Maines, Executive Secretary, Canadian Association of Social Workers, Ottawa, Ont.

Mr. John S. Morgan, Associate Professor of Social Work, University of Toronto, and Member of National Board of the Canadian Association of Social Workers, Toronto, Ont.

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1950

MINUTES OF PROCEEDINGS

FRIDAY, May 12, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Doone, Fogo, Hurtubise.

The House of Commons: Messrs. Blair, Brooks, Corry, Cote (*Verdun-La Salle*), Courtemanche, Fleming, MacInnis, Richard (*Gloucester*), Shaw.

In attendance: Miss Joy A. Maines, Executive Secretary, Canadian Association of Social Workers; Mr. John S. Morgan, Associate Professor of Social Work, University of Toronto, and Member of the National Board of the Canadian Association of Social Workers; Dr. G. F. Davidson, Deputy Minister of Welfare.

Miss Maines made a general statement and introduced Professor Morgan as spokesman for the Association of Social Workers before the Committee.

Professor Morgan was called. He presented a brief on behalf of the Canadian Association of Social Workers as well as a supplementary statement prepared since the filing of the original brief, and was examined thereon.

At the conclusion of Professor Morgan's examination the Chairman asked the opinion of the Committee regarding the printing of briefs submitted by some organizations and individuals who will not present oral evidence. It was agreed that these briefs be printed in Appendix to the Committee's proceedings at a later date when the Chairman is satisfied that all such representations have been received.

Witness retired and the Committee adjourned until Monday, May 15, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FRIDAY, MAY 12, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Gentlemen, we have a quorum.

We have pleasure this morning in having with us Miss Joy A. Maines, executive secretary of the Canadian Association of Social Workers, and Professor John S. Morgan, associate professor of social work, University of Toronto. Professor Morgan is a member of the national board of the Canadian Association of Social Workers.

We are delighted to have you here this morning Miss Maines, and Professor Morgan, and I am sure that the members of the committee have read your brief and have been highly interested by its features and contents. If you wish to say a few words, Miss Maines, before Professor Morgan highlights your memorandum, I am sure that the committee members will be delighted to hear you.

Miss MAINES: Thank you, Mr. Chairman. I just wish to point out that the Canadian Association of Social Workers represents professionally employed social workers in Canada. This brief was prepared at the request of the board of directors by a special committee which had its nucleus in Toronto. Mr. Morgan was a member of that committee and has been authorized by the board of directors to speak to the Committee on Old Age Security on their behalf. Mr. Morgan comes with the full blessing of the board of directors of the association and he will be the spokesman for the association.

Professor John S. Morgan, Associate Professor, Social Work, University of Toronto, called:

The CHAIRMAN: Go ahead, Mr. Morgan.

The WITNESS: Mr. Chairman, as I have already explained to you, the brief which you originally had circulated went to the national board at the same time, and the board wished to make some supplementary observations which have been prepared and also circulated. I take it that everyone now has a copy of them. I may draw your attention to some features as I go along and it will perhaps assist.

BRIEF FROM THE CANADIAN ASSOCIATION OF SOCIAL WORKERS TO THE PARLIAMENTARY COMMITTEE ON OLD AGE SECURITY. APRIL, 1950

SUMMARY OF RECOMMENDATIONS:

1. Basic to any program for the aged is the provision of sufficient income to permit a living standard of health and decency. We recommend a national scheme of contributory insurance without a means test.

2. The needs of the aged are not met by income security alone. With such security must go an integrated program of community services.

3. Older persons should be encouraged and enabled to remain in productive employment.

4. Adequate housing to meet the individual needs of old people, both the well and the chronically ill, should be provided under public and private auspices.

5. A variety of facilities for medical and nursing care is required.

6. We advocate the establishment of special community services which will encourage recreational interests and the continuation of family life.

7. The operation of services for the aged depends on trained and understanding staff.

8. Research is required on all these phases of old age security.

The Canadian Association of Social Workers welcomes the creation of the Parliamentary Committee on Old Age Security. This Association, speaking for the professional social workers of Canada, has a particular interest in the aged. Many of its members serve them and are aware of their needs. It is glad to submit a statement of these needs and to suggest appropriate services to meet them.

In Canada the number of persons over 65 years of age in our population is increasing every year and by 1971 will represent approximately 9 per cent of the total population. Canada has thought of itself as a young country, but this increasing number of older persons causes us to review our current attitudes to the elderly in our society and reshape some of our patterns of community life.

This revision is the responsibility of many different groups. It is a Canadian problem, affecting broad areas of our national life, not just the concern of The Canadian Association of Social Workers alone. Nevertheless it is appropriate that we, as social workers, should add our thinking to that of other citizens and professional groups. It is natural that our thinking about the aged is in terms of basic human needs.

Old age is not an arbitrary state which one reaches at age 60. Nevertheless we shall direct our attention to the group 60 years and over because many of the characteristics of old age appear about that time.

NEEDS:

What are the needs of our elder citizens? At the outset we probably must modify our approach to old age itself. Old people are not all frail, incompetent and emotionally spent. A mentally competent person over 60 has the same needs as before. He needs affection, a sense of belonging and of being needed, a feeling of pride and achievement through constructive and productive activity which gives him recognition as a useful member of society. Current attitudes and patterns of community life frustrate these desires and tend to fill our hospitals and mental institutions with the broken and disillusioned.

If we are to plan for the "good life" for those over 60 we must recognize not only that such a life is possible but that major changes in our social patterns have made our old methods of planning for the aged antiquated and ineffective.

The largest factor contributing to social change is Canada's increasing industrialization with its consequent changes in family life. City dwellers are very different from their farming ancestors. They live in small homes, probably far removed from their next of kin, and are dependent on wages for their security. Unlike their ancestors, they cannot absorb the shocks of illness, unemployment and old age within the family group. We have become a "society of employees"; when wages stop so does our security, since relatively few of even our self-supporting families can save enough to meet a prolonged loss of income. In the Canada of to-day our older people must look to the community for their security.

INCOME:

Money has great significance for elderly people. It represents security when they can no longer obtain security through their physical prowess and ingenuity. It is therefore important that our older citizens who do not have sufficient private means, should be able to look forward to a predictable income, at a given age, from a known source. To this end we would urge the rapid adoption of a national scheme for the provision of old age security at age 65.

> Miss W. worked for a number of years as a saleswoman in a store. At 68 poor health forced her retirement and she began selling underwear from a city mill directly to customers although obviously unfit to do much tramping about the streets. Pride and great independence of spirit kept her from applying for city relief. Finally poor health forced her to take this step only to find she was ineligible because of a small bank account. This she clung to in case she should become completely incapacitated or need it for an emergency.
>
> This application for relief made Miss W. feel she had dropped in everyone's estimation as well as her own. She dragged herself about, persisted in her selling job but obtained insufficient and improper food.
>
> Recently Miss W. reached the age of 70 and received the old age pension. What an amazing difference there is now both in appearance and in attitude in this intelligent and industrious person. Had the old age pension been available five years earlier much suffering both mental and physical, would have been prevented.

Whether there is contributory old age insurance, or a flat rate pension paid to all at a stated age, we deem it important that the amount payable be uniform for all, adequate for a minimum standard of living, and without a means test. We believe the largest measure of financial security can come only from a contributory scheme under government auspices. In our opinion the present trend toward industrial pensions will result in a serious curtailment of individual freedom through loss of mobility. Furthermore we question the wisdom of reliance on industrial pensions as a means of providing for a total population.

If the social insurance or contributory principle is adopted we would point out that in most instances the people who need protection most are those least able to contribute toward their future without jeopardizing their present well-being and that of their dependents. Therefore in any contributory scheme the government should pay a larger share on behalf of the low income group. This principle is now established in our unemployment insurance scheme.

For many elderly persons with special needs the standard benefit will be insufficient. For these a secondary program of public assistance, will be necessary. Since this program will be set up to meet special individual needs it should be administered by a trained social work staff capable of offering skilled casework services.

EMPLOYMENT:

One of the most important areas for "rethinking" in our plans for the aged is that of employment. Considerations here are both economic and psychological. Most economists emphasize that economic provision for the aged must come from current revenue i.e. from the yearly production of all workers. If we are to deal with our old people generously, then we must keep them as producers as long as possible. This means a new approach by Labour, together with a comprehensive program for retaining the older worker before his productive capacity is completely destroyed through frustration, fear and ill health. We would suggest, for example, that many women workers, 45 years of age and over, could be trained as home aides, domestic staff for institutions, nurses aides etc., they in turn could be used in developing a program of community services designed to keep older people in their own homes rather than in institutions.

In considering the psychological aspect of continued employment for the aged would emphasize our earlier statement that 60 or 65 years of age frequently results in an economic loss to the community, a loss of knowledge, experience, and dependability. In addition there are increased costs for hospital and institutional services due to mental and physical deterioration brought on by frustration. But *productive* old people continue to have a sense of achievement, of being needed, which increases mental and physical health, improves family relationships and results in greater community well-being.

The earning power of the aged must be remembered in drawing up insurance and pension schemes. If a means test is to be introduced it should allow for reasonable employment activity with no reduction in benefits paid; for example $1,500.00 is the current income tax exemption for single persons 65 years and over.

LIVING ARRANGEMENTS AND COMMUNITY SERVICES:

There are two points to be stressed in old people's welfare. First we must encourage the elderly, by all practical forms of help to continue to lead an independent life as long as possible. Second, for those who cannot care for themselves and have no friends or relatives, we must ensure skilled and understanding care and treatment.

Basic to any plan is adequate housing. Old people do not want to be cut off from normal community living. Churches, theatres, shops, clinics should all be accessible; segregation of old people in outlying communities has no place in a well thought out program. For the well old person experience suggests there is need for small, adequate quarters, where he will find space for independent living while not segregated from the younger members of the community.

Experimentation and research is needed on residential accommodation for old people. Many old people do not wish to be a burden to their children and prefer to live separately while maintaining close family ties. Some elderly people who are economically and physically independent, will choose to live in residences or clubs where freedom from housekeeping demands will allow for the pursuit of more creative and satisfying interests. Other people, who have always been part of a family, will find boarding home care more congenial.

Since the group of old people to be served will be a cross section of society, accommodation for them should develop under a variety of auspices, ranging from the purely commercial, the fraternal, religious and publicly supported to the cooperative effort of old people themselves. We would suggest the use of funds available through Central Mortgage and Housing Corporation for the development of plans for suitable accommodation of varied types for old people of all income groups, these plans can be realized through Dominion-Provincial

agreement under the National Housing Act. For the minimum income group shelter should be available at a cost related to the prevailing old age security allowances.

> Mrs. S., a 72 year old woman on Old Age Pension pays $5.00 a week room rent alone—(i.e. $22.50 per month)—leaving her $17.50 per month or $3.88 per week to buy food, carfare, clothes and medical supplies. Mrs. S. is not permitted to cook in her room and must buy her meals in restaurants.

Large institutions have no place in our planning for well old people. Residences accommodating not more than 30 persons should offer their inhabitants privacy and continuing independence, and should make provision for married couples. A degree of planned activity should also be provided for those who need encouragement to maintain their social contacts.

Community services are needed for old people living alone or with relatives. These should include nursing and housekeeping services, mobile meal services, transportation for medical care, recreational club and holiday centres, as well as shopping services and friendly visitors. Fees for these services should be charged according to ability to pay. Often an elderly person could remain quite happily in his own or his children's home if it were not for additional burdens created by illness or unexpected emergencies. Such community services would encourage the continuation of normal family living without the necessity of removal from the family group.

> Mr. A., 73 years of age and on Old Age Pension, physically handicapped by paralysis from a stroke, has been recently discharged from hospital following surgery for cancer of the stomach and must return to clinic for regular check-up. This man is unable to use bus or street due to his paralysis.

> Mr. C., an 81 year old man, has had a colostomy operation and requires the colostomy belt and irrigating outfit costing $13.60. He receives $40.00 a month Old Age Pension which he turns over in total to his daughter, with whom he lives, for room and board. His daughter has a sick husband and she is going out to work to support the family as well as keeping the home. Without the appliance Mr. C. would have to be permanently hospitalized.

MEDICAL CARE:

For those old persons who are ill three types of services are needed: Complete hospital services for acute cases; general nursing and rehabilitative facilities for the chronically ill; study of and custodial care for the mentally enfeebled. General nursing is given most frequently in nursing homes or hospitals for the chronically ill. Here constructive changes can be effected by a more imaginative approach to the needs of elderly people. While illness may lessen both physical and mental capacities, many of the chronically ill are still capable of productive activity if given proper stimulation and encouragement. Many of this group could be returned to normal living if given adequate medical care. A positive, not an apathetic, approach to the medical treatment and rehabilitation of the chronically ill is the key to constructive effort on their behalf.

Many persons currently in need of nursing home care are pensioners on minimum incomes. Since nursing home care is costly the standard of care inevitably deteriorates if rates are related to the inmates' ability to pay. Or conversely only those who can pay the profitable rates are accepted, leaving large numbers of the aged without adequate accommodation or care. To meet this difficulty we believe a form of government subsidy should be available to

nursing homes offering care to those on minimum incomes. To ensure an adequate standard of care a system of licensing and inspection is essential. Standards should be concerned not only with the physical care given to the patients but with the opportunities offered for stimulating, creative activity such as that provided through occupational therapy, social clubs, and adult education.

We recommend the use of Dominion Health grants for study and research on the medical and psychological needs of the aged.

PERSONNEL:

Implementation of the suggestions outlined above requires trained personnel. Doctors, nurses, social workers, and matrons all need a larger knowledge and understanding of old people and their potentialities. There is now available an increasing body of knowledge and skill in this field and it is possible for persons to secure training to enable them to render more effective service. Such training should be provided through scholarships, training grants, and the organization of special courses by appropriate educational bodies.

CONCLUSION:

The needs of the older person are broader than mere income. He wants to continue to live, not just to exist; to be accepted by the community and contribute to it; to hold his place. Many old persons will work this out in their own way. Others will need help, and for them various kinds of social services play their part. The key to their effectiveness is the spirit and training of the staffs which operate them. Through their knowledge and understanding these old people too can enjoy lives which are active, satisfying and happy.

STUART K. JAFFARY, Toronto, Ont.,
President.

(Miss) JOAN E. KEAGY,
Toronto Chairman of National Welfare Planning Committee.

SUPPLEMENTARY STATEMENT TO THE BRIEF FROM THE CANADIAN ASSOCIATION OF SOCIAL WORKERS TO THE PARLIAMENTARY COMMITTEE ON OLD AGE SECURITY

MAY, 1950

1. The Canadian Association of Social Workers wishes to go on record that while the terms of reference of the Committee relate to "federal and provincial legislation with respect to old age security," we have noted that so far this has been largely interpreted to mean federal responsibility for income maintenance for older persons. We are concerned with the needs of people. We wish to draw attention to the fact that while an adequate income in retirement is a matter of fundamental importance to older people, it does not by itself constitute "old age security." In our submission this phrase should be read to include at least:

(*a*) For those now working, some real assurance that their needs upon retirement will be met by the payment of a predictable benefit.

(*b*) For those who become retired, a minimum income supported by adequate supplementary programs of public assistance and welfare services.

2. Since the principal task of the professional social worker in largely related to the needs of people, and since we are concerned that these needs should not become submerged in the complex administrative and fiscal questions of an income security program, we wish to give particular attention to these needs as we see them in our daily work.

3. With respect to the income security provision we advocate a contributory scheme for the following reasons:

(*a*) The making of a regular contribution establishes a contractual relationship between the contributor and the Government of Canada. This relationship

(i) Provides the worker a real sense of security that the basic needs of his old age will be met by the payment of a predictable benefit when the time comes for him to retire.

(ii) Establishes for the worker a measure of direct responsibility for the cost of retirement pensions, thereby reducing the risk of extravagant demands for increased benefits regardless of cost.

(iii) Not only obviates the necessity for a means test, but removes from the pension any suspicion that the recipient is in receipt of uncovenanted benefits.

We would emphasize the statement by the International Labour Office that "Security is a state of mind as well as an objective fact"[1] and to suggest that the fact of individual contribution will add substantially to a sense of security which is as important to the worker as the fact of an adequate retirement pension.

(*b*) While it may be difficult to collect taxes for the Consolidated Revenue from unwilling taxpayers it is likely to be easier to collect contributions from willing contributors to a social security scheme.

(*c*) The contributory method offers a means by which employers can contribute their fair share of the costs of retirement without recourse to widespread adoption of industrial pension plans, which give poor coverage, inequitable benefits, have serious implications for mobility of employment and may create a chaotic and extravagant system of administration.

4. We recognize that there are many administrative problems associated with a contributory system, but we have seen no evidence to suggest that so long as no attempt is made to relate the amount of the individual benefit to the amount of the individual contribution, the administrative problems are any greater than those associated with other methods.

5. We join with most Canadians in wishing to see any form of means test removed from the administration of retirement benefits on the grounds that:

(*a*) A means test, unless carried out with great skill by trained workers, can be a humiliating and damaging experience for people, interfering with their management of their own affairs and undermining their independence.

(*b*) A means test cannot be effectively administered over such large numbers as those now in need of old age or retirement benefits.

(*c*) In proportion to the amounts saved by the application of a means test the amounts spent on administration are unjustified.

(*d*) To apply a means test to every applicant leads to serious delays in the issuance of a pension to a person who is in serious and urgent need of it.

6. We hope that the level of benefits fixed for the general scheme will be adequate to meet the income needs of most of those who are eligible. But

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[1]International Labour Office, *Approaches to Social Security*, Montreal: 1942.

whatever system of universal benefits is adopted, there will be many Canadians who will need additional income. We strongly urge that attention be paid to the development of more adequate provisions for supplementary income than those now available in many parts of Canada.

7. We recognize that supplementary program of this kind necessitates careful investigation and the use of some test of needs. We believe that only by the use of skilled and trained staff can such investigatory processes be made effective.

(End of written statement).

The CHAIRMAN: Are there any questions?

By Mr. Fleming:

Q. Mr. Chairman, I think we find this particular brief refreshing because it is a rather different approach to the problem from the ones we have had to date. I wonder if Professor Morgan would enlarge on some features of the proposed contributory plan. Reading the brief and the supplementary brief, I understand that the proposal is that the contributory plan should be basic. There is no basic plan, such as has been suggested by some persons, below the contributory plan? You start with the contributory plan without a means test?—A. As a means of dealing, as far as possible, with the larger number.

Q. As I understand the concluding paragraph of your supplementary memorandum you propose supplementary benefits with means tests?

The CHAIRMAN: Needs tests?

By Mr. Fleming:

Q. Needs tests.—A. We recognize that whatever you do on a universal scale there will always be a considerable number who will need more for some reason or other—additional medical care and so on. That, in effect, requires a test of how much more, and, at the moment, that comes within the framework of provincial legislation which is included within the terms of reference of this committee. That is why we draw attention to the fact that public assistance to those who need more benefits is a matter of great concern to us, as serving the needs of the people. But if you have public assistance, then we face honestly the fact that you must have some kind of test as to where need arises and how it should be met—and that test does take a lot of skilled operations.

Q. From either a financial or administrative point of view do you propose supplementary benefits should be made part of the contributory scheme or be something separate and apart from it?—A. We have not gone into that in very great detail because it raises the question of the present distribution of responsibility. We felt all along that our responsibility, as social workers, was to point to the need and not to get too deeply involved in a constitutional problem. We have not explored it to any great extent except to say that supplementary provisions now leave many people in great distress and what should be done about them is a great problem. We would hope to keep the amount as small as possible by getting a good basic scheme. I do not know whether that answers the question.

Q. It will answer it if you do not wish to go further by way of comment on the general administration set-up that is possible under our present distribution of legislative powers. Would you care to touch on that?—A. I might personally be prepared to go into a long argument on it but I do not think it would be fair to commit the association to any statement on it.

By Mr. Shaw:

Q. Like Mr. Fleming, I think this brief is very refreshing in that it deals with people as such, and not as part of something else. I should like to ask, since

you look upon the contributory scheme as basic, how you would propose dealing with the thousands who would not possibly come under the contributory scheme —for instance many of those who are now approaching old age—how would you propose dealing with those persons?—A. It seems to me there are two possible ways of dealing with them. One is that you would have to have some period of time to start the scheme and since the bulk of the population would be contributing, the experience of the United States and in other countries indicates that the fund builds up very fast at the start. It might be possible to pay some part of those retirements even though the individuals have not contributed very much. We are not trying to relate the contributions by the individual to his benefits. What we are suggesting is that those who are now productive should contribute in order that those who are now retiring may benefit. That would be over an eight- or ten-year period and not an attempt at an individual insurance operation.

Therefore, since you will have the bulk of the labour force now contributing, just as for instance in unemployment insurance, even when we have a high rate of employment or at the rate we had this winter, there is still going to be as much coming in as is going out. In the early stages the problem is what to do with the money, if you deal with it on a strictly individual basis.

Q. The important thing is, Professor Morgan, not relating benefits to payments?—A. Not in terms of the individual.

Q. Therefore those who will come under the scheme as contributors will not be penalized as a consequence of that?—A. Not as individuals—just as in the other schemes which you have seen in Australia, Britain, and so on. The contribution is into a fund and the benefit is out of a fund. You do not try to tie Mr. Jones to what he pays in; you tie him to the fact he has been a contributor.

Mr. Brooks: You are suggesting a pay-as-you-go scheme with a large enough amount to give pensions to those who on account of age cannot build up any great surplus?

The Witness: That depends on how you set the fund up. I think there would be obviously, at the beginning of any contributory scheme, a transitional period from the present public assistance which will have to be worked out in detail in terms of the amount of pension paid under any scheme you set up; and the form of it will depend upon the amount to be paid and who is to be covered.

The Chairman: If you step up the program in the transitional period you can have results in a small number of years—as few as ten?

The Witness: If you do not try to make the individual contribute enough on his own account—that would take twenty years or so; if the fund paid it would be faster.

By Mr. Fleming:

Q. Well, are you proposing that the benefits should be uniform?—A. Yes.

Q. Absolutely uniform?—A. Probably uniform, or on some uniform basis across Canada. I say probably because it relates to another point in the brief about keeping people employed. I am thinking of the device they use in Sweden and Great Britain of having larger benefits for those who are willing to retire later.

Q. That is the only basis for a departure from a uniform payment?—A. Yes.

The Chairman: Delayed retirement?

The Witness: Yes—on the basis of delaying retirements to give people some incentive to remain productive.

By Mr. MacInnis:

Q. May I ask Professor Morgan if he expects the fund to be completely self-supporting—from the contributions made to it?—A. No, I think that point is

covered in the main brief at the bottom of page 3. We do recognize there will have to be a need for some contribution from consolidated revenue.

Q. Then you are not thinking of a fund that would be actuarially sound according to insurance principles?—A. I do not think any body has ever conceived that it could be done. I looked that point up in the Senate hearings going on at present. Mr. Altmeyer, himself, said it had never been contemplated that you could hand this over to private business tomorrow as being actuarially sound. That is not feasible in an operation of this kind.

Q. Have you in mind then a system something like the present New Zealand system of collecting contributions on income and if there is a balance required, that it be made up from consolidated revenue?—A. That is one way but the other way is to do it more as Britain does with a three-way contribution.

The CHAIRMAN: How do you intend to collect contributions from self-employed—more specifically farmers and settlers?

The WITNESS: Well I think of course that is an administrative problem of great difficulty. That was the point behind the statement that it might be possible to collect contributions from willing contributors but it might be difficult to collect taxes. In other words, if the farmer knew by contributing that he would have an entitlement he might be willing to be a contributor; but if you go after him as a tax collector he may be unwilling to be a taxpayer.

The CHAIRMAN: That is the explanation I would like. You say it would be easy to collect contributions from a willing farmer?

Mr. MACINNIS: Easier?

By the Chairman:

Q. Easier?—A. Not "easy" but easier.

Q. Well you said that it would be easier to collect from a willing contributor. Do you mean by that it would be a compulsory system for wage earners, for instance and voluntary for the others?—A. I think it would be a compulsory scheme in law—that is it would apply to everybody and the compulsion on the self-employed person is that if he does not contribute he does become entitled and he knows that—and that is his interest in contributing.

Q. Then, if you do that you are relating individual benefits to individual contributions and you have to take record of all contributors—A. Well, you relate the fact that he has contributed—without having to keep tab of the amount.

Q. I do not want to go too far, but supposing that a farmer had contributed for only one year?—A. I agree there is a difficulty.

Q. There is a terrible difficulty there. How many years is he going to contribute? If you set up a minimum number of years I believe that you will agree that you would have to keep records of each individual contribution?—A. Oh, yes, you will have to keep a record.

That brings me to another point which appears in the supplementary brief. If you do it by taxation, you also have to keep records in the sense that you have to keep tax records.

By Mr. Fleming:

Q. What would you do in that event—in balancing the unwilling and the willing contributors together? A man who has been unwilling to make contributions arrives at age sixty-five and, as he has made no contribution he is not eligible but he is destitute. How are you going to deal with him then?—A. He will have to be dealt with under supplementary public assistance—just as he is now.

Q. He is benefitting then by his own profligacy?—A. It depends—in many parts of Canada in fact the situation might be the other way round.

Mr. MacInnis: I think we are asking the witness questions that really do not belong to him. This association proposes a scheme which this committee evalues in relation to other schemes. Then, whoever puts any program into effect will assume the responsibility of collections.

The Chairman: I do not believe that Professor Morgan has any objection to answering questions?

The Witness: I am getting away from the brief though, and I am glad you raised the point.

Mr. MacInnis: I realize that in this discussion he has not the answers.

Mr. Fleming: I do not agree with Mr. MacInnis. I think Professor Morgan has given a lot of thought to this. These are not new difficulties confronting him and personally, I find his answers to these difficulties extremely interesting.

The Witness: While I am perfectly happy, I am a little anxious not to commit the association too far. We were anxious to establish a certain principle—that it is needs of the people that matter—recognizing that whatever we do there will be a complex administrative job to be done to sort it out. Whatever system you set up—universal, means test, no means test, contributory, or whatever it is, there is a fairly complex job to be done which we have not attempted to do. We think the principle which matters to the person now in work is that when he comes to the point of applying for benefit it will be as of right—and that is the point we wanted established. On these other points I am not sure how far I should commit the association.

By The Chairman:

Q. In any scheme that is proposed there are some principles involved and one of the most important principles is the principle of coverage. That is why I believe that Mr. Fleming and myself were asking these questions. We just want to know who you could cover with such a scheme as you propose?—A. Well, the answer is that it depends on the scheme. The British cover everybody; the British Act begins "Every person over school leaving age shall be a contributor and shall remain so—"

Q. Yes, and what I was asking is the principle which is behind your scheme?—A. We want to see the contributory principle as far as it can be made to operate in Canada—recognizing that the administrative problem and Canadian distances may make some difficulty.

Q. And universally compulsory?—A. The contributory scheme.

Q. Universally compulsory?—A. It would have to be compulsory to make it universal.

Q. It could be compulsory for part of the population?—A. It could be.

Q. But what you have in mind is a universally compulsory scheme?—A. Yes.

By Mr. Fleming:

Q. To pay uniform benefits at age sixty-five?—A. At 65 we suggested—with a query in our minds arising out of the evidence that has been before this committee from Sweden and Great Britain that perhaps under the benefit scheme some method of encouragement should be there for people to remain in work—that might be included in the benefit rate.

Q. Your suggestion on that, Professor Morgan, is particularly interesting in view of the statement made here Wednesday afternoon by Mr. J. H. Brace

and I think I am paraphrasing his remarks correctly when I quote him as saying that industry and business must revise their ideas about the retirement of all workers at age 65. The whole group is being called upon now to provide such benefits for all, so that we must extend the productive life of workers so that there will be larger productivity to bear the expense of this increased service?—A. We are now coming to a certain point in the brief about employment. And on that point I think we would say that the old people themselves need to work, and that medical evidence as well as other evidence suggests that the old person—I say the "old person," but I should be saying the older person, because I am assured by the doctors that at the age of 65 we have a further life expectancy of 30 years—the older person, if able and willing to work should be encouraged to work. It keeps him healthy, happy, and productive. So in terms of the old person's needs it is desirable that he should work. And if we look at population statistics we see that his number is increasing in terms of pension schemes, and in terms of productivity. We feel it is desirable that the older person be kept working.

Now there are various ways of doing it. Sweden, for instance, says: Very well; if you stay at work, we shall raise the pension rate when you retire.

But we must provide an employment policy which makes the obtaining of work possible. There we have the point that Mr. Fleming was speaking about. We have a national employment service making strenuous efforts to employ people over 45. And there is need, according to our thinking, for an employment policy which will keep the community productive and in which there will be more older people proportionately in the next 20 years.

Q. Please do not answer my question if you feel it comes outside the scope of your brief. But on the basis of contributions, have you given thought as to the graduation of contributions and the method of collecting them?—A. Not very much, not in this group.

Q. The only thing I see in the brief on that subject is that you recognize that there will be some who will not be able to contribute and therefore the national exchequer will have to provide their contribution.—A. We say that because in observing the schemes of which you have been making exhaustive studies we find it is a fairly common feature in many of them that through lack of employment, sickness and at some levels of income you cannot really take anything away from them without bringing them below the subsistence level at which they now are.

Q. Would you take simply the existing income groups and recognize present income tax exemptions, or would you extend the purchase feature or contractual feature of a pension scheme and require contributions by people who may not today be earning an income large enough to be taxed in any income tax plan?—A. That would be getting us into the tax field.

Q. And you do not care to comment about it?—A. Without a lot of figures and papers which I do not have, and which do not relate to this brief, I would not like to embark upon an answer.

By Mr. Shaw:

Q. I think Professor Morgan has stressed the desirability of our older people remaining active. No doubt he would also agree that the abolition of the means test would be an extremely important factor in bringing about that desirable end, because today one of the most undesirable things is that people are forced to remain at least partially inactive because of ceiling on their earnings.—A. Anything which limits people's freedom to take work if they want to do so would seem to be undesirable in their interest. I am not speaking of the effect of the scheme. It may be that we would have to tidy up the scheme to meet it. If there are people who are willing to work, I believe they should be encouraged to do so.

We must recognize some age limit, and at 65 we must begin to think about their needs as human beings being met in some other way. But it would seem from the studies I have been making, from a medical as well as a psychological point of view, that if we can keep people at some useful occupation, it would contribute to their health and well being, and would probably cut down other charges, such as the care of the chronically sick and the tremendous hospitalization and medical costs in this area which are very great indeed.

By the Chairman:

Q. You were just speaking about your studies. I understand that you took part in the preparation of the Beveridge Report?—A. No. I wrote memoranda for them but whether or not they did anything with them I do not know. I worked on briefs which were presented to them in the same way as I submit the brief now, but what happened to them, I do not know.

By Mr. Cote:

Q. I would like to have some comments on your supplementary program which, I take it, has no relation at all to the contributions which may have been made over the course of time by the insured. Have you given any thought as to whether these supplementary benefits would be paid from the proceeds of such contributions or from some other source?—A. We were assuming that that would not be the case, and that the supplementary public assistance program would be, as it is now, a public responsibility at some level of government. At the moment we have it at two levels of government, municipal or provincial, and in many cases in practice we do not have it at all. But in law it is there at the provincial and municipal level and we are asking, seriously, that this committee take a look at what is available in that field for those people where it cannot be met by any universal scheme.

Q. You are placing emphasis upon the needs of the applicant as a prerequisite for the payment of these supplementary benefits; and I assume that you are including more or less the over-all social security coverage for them such as hospitalization, medical expenses, and so forth. Are you?—A. Those are not only in terms of cash but in terms of service, because to give cheer to a sick old person does not really help him, if he cannot get the medical care that he needs; and to give him a cheque if he cannot get the kind of housing that he needs does not help him very much. He is no further forward if he just has a cheque.

Q. Another point is: you have a reference in your supplementary brief to the industrial pension plans which exists at the present time. Would you have it in mind that this contributory scheme of insurance would tend to become integrated with those industrial pension plans?—A. I think that if you have a broad contributory scheme, then any industrial plan would be, in effect, an addition by the employer, and the worker of supplementary benefits for those with long service and so on just as I might take out additional life insurance policies; and I think it would have to be related to the fact that he would get the basic retirement allowance. But the point we are making here is that we should not allow the individual company pension fund to be in the form of a basic pension because it does not give the terms of coverage. I think there was a statement in the papers the other day that perhaps 20 per cent of the employees might eventually benefit.

Q. You look upon these industrial pension plans as supplementary to the basic system?—A. Yes, just as I would take out life insurance supplementary to my basic benefit. And I think it has been the experience both in the United States and in Great Britain, that, given the basic need, people feel much more able to make supplementary provision to suit themselves. They are able to

make the kind of choice that individuals are able to make; whereas on the available evidence they are not able to make this basic operation.

Q. Have you given any thought to bringing in the employer as a contributor?—A. Very much so. That is on page 3. The contributory method offers a means by which the employers can contribute. And our assumption is that they will contribute.

Q. So in that case the setting up of this universal contributory scheme would depend to a great extent on the setting up of new industrial pension plans, since the employer is also contributing?—A. I think any group of employees is perfectly entitled to use the fact that they are organized to make supplementary provisions as between themselves, but not as a basic subsistence operation. That is the kind of thing which individuals and employers are perfectly free to do, and perhaps encouraged to do, but not as a basic thing.

By Hon. Mr. Fogo:

Q. Over and above the national scheme which you suggest?—A. I beg your pardon.

Q. These industrial pensions would be over and above the supplementary things that you suggest?—A. Yes. They would be provided by the initiative of the individual and his employer.

By the Chairman:

Q. Taking into account that there is a basic pension plan?—A. Yes.

Q. In other words it is possible to set up any supplementary plan if you take into account that you have a basic government plan. But you would not integrate the government plan to existing individual plans?—A. I think it would work the other way.

Q. That is what I mean.—A. As it is in some of the other countries, that is, as the scheme gets established, these plans begin to integrate their operations to the fact that their workers are covered by a given plan.

By Hon. Mr. Fogo:

Q. Some of the existing industrial plans might be modified to fit in?—A. I think that certainly would be the tendency.

By Mr. MacInnis:

Q. Mr. Morgan has said that he visualized employer contributions in this scheme. Would it be asking rather too much of an employer who already has a pension plan, perhaps—where the particular industry provides the whole of the pension—also to contribute to an over-all state plan? Do you not think that he would feel that he was being asked too much?—A. I think the answer is—at least my answer would be—and here I am again treading far away from the document—my answer would be that there would be a comparatively small number of workers out of the total labour force covered by such a plan; and that any legislation passed would have to give him some legal "get-out" to enable integration of the full coverage in his existing scheme into the national scheme; and that the national interest would require to over-ride the sectional interest of a small group of people.

Q. I would like to have your opinion about industrial pensions. May there not be social—and the idea of social is that it covers the whole of society—may they not be socially undesirable in that they provide retirement pensions for that section of a community and industry which is best able, because of wage remuneration, to provide pensions for themselves? In working this out, would it not likely happen that the employer would pass the cost of the pension on to the community by means of an increase in price of the product

he is producing, and those who would ultimately be paying for the pension would be those in the lower income group and in small industries which are not able to have industrial pensions of their own?—A. On that point I do not think I should trespass over the boundary of what is a political and economic problem. Certainly I am now a very long way from the brief, and I do not think I should answer your question.

Q. All of this question is political, economic and social?—A. I think that would be an opinion for which I have no authority.

Q. Very well, I shall not press for an answer.

By Mr. Fleming:

Q. I think my next question comes within the scope of fair comment by Professor Morgan. In this problem of industrial pensions, I wonder how far you think they should be taken into account by parliament when considering a basic contributory scheme. Is not a means test a deterrent to an industrial scheme? There is not much sense for people providing for an industrial scheme if thereby they are simply going to eliminate themselves from pension under the application of a means test. If parliament sets up a contributory scheme and abolishes the means test, does parliament need to concern itself at all with those private arrangements between employer and employee?—A. Except to make sure that, as in the cases mentioned earlier where they have already got some form of complete coverage, there would be some kind of sorting. There are contractual relationships which would have to be sorted out by law. But apart from that, what you do over and above it is a matter for individual responsibility. And if the employer takes it up, I do not think the government has to concern itself about it. But in the transition period we would have to take into account the fact that some things existed which would be affected by the new scheme.

Q. Do we need to take all that into account if we eliminate the means test? It would be completely a matter of contractual relationship between the employer and the employee?—A. Yes.

Q. And therefore, for our purpose, it is completely outside the consideration of parliament?—A. I think there may be some exceptions. I know we found some in Britain where the contractual relationship was such that it could not be maintained under the new operation, and there had to be clauses established to enable them to reduce the scheme in the light of new legislation. There may be some sections there in effect, but I do not know.

Q. I do not know why there should be, if you abolish the means test.—A. I do not know, but I suspect, broadly speaking, the answer is no. I do not think we have any, but I think you might have to provide a clause to deal with it, if it arose in any individual case.

Q. The expression "transition" has been used several times. May I ask if Professor Morgan is prepared to comment on the most desirable method of introducing the new scheme he proposes, the contributory universal pension scheme providing for benefits at the age of 65 with some qualifications? And may I ask whether he contemplates introducing it at the same time or whether he contemplates any necessity for introducing this scheme by stages?—A. I am not sure that I want to answer that on this brief. I think there are arguments on both sides which would require pretty nice views on administration and financial research before I would like to express an opinion. In other words, I would like to see worked out possible ways of doing it and then take a look at them and say: Of the choices, this is the one which I prefer. That would mean some research.

Q. If this question is outside the scope of your brief, please do not answer it. But I put a question yesterday to Mr. Conroy about the matter of priorities. He was propounding a scheme which would at one stage eliminate the means

test, lower the age, and raise the benefit. And I asked him if parliament felt it could not afford to do all these things at once, in what order of priority he would rank them. And he ranked as the most important the elimination of the means test; secondly, the lowering of the age; and thirdly, the increase of the benefit. Would you care to make any comment on the same subject?—A. I do not know. I suppose if you have to make choices, then you have to make them.

Q. That is the basis of the question?—A. This is a kind of scheme which we might implement all at once for some of the population, and later for other groups. We might have to work out some possible alternative method related to the administration and to the financial expenditures before I would want to make a comment on this point. I would want to have a great deal more information about it, and about what it would actually cost to do the financing than we have now. I do not want it to look as if I were dodging the question, but I do not think we have the kind of information to enable me to answer your question.

By Mr. Cote:

Q. Your proposal relates entirely to a contributory system of pension. You will agree that there is to be visualized a certain course of continuity between our present system which is a non-contributory one and that which you advocate, if it were implemented in its entirety by parliament. How would you figure the transition could be made without any hardship on the actual recipients of our old age pension?—A. Well, speaking from the point of view of this brief, I think that would be a matter of fundamental importance, and that whatever we do we must not make people worse off than they are now. In many cases it is very urgent to do something a lot better than we are doing now. We must not make people suffer while we are working out an administrative problem. I have a file of cases here, and I expect every member of the committee has knowledge of many quite distressing cases.

Q. Do you think that your proposal as it is now would not be self-supporting unless there were certain provisions for a flat-rate pension for some time under a graduated scale until the contributory system is strong enough to provide an adequate measure of assistance?

By the Chairman:

Q. You mean until it has matured?—A. So long as you do not tie it to individuals. I think the experience of the United States in attempting to tie the individual contribution to the individual benefit is something which scares me stiff; and I do not think you have to do it. We have used the word "transition" to whatever scheme we set up, and there is going to be a period between the present scheme and the scheme which may be set up. You have had the British scheme before you wherein they now have the remains of two old schemes and the new one, and their transition period will be comparatively short. That of New Zealand will be comparatively long.

Q. 1988?—A. It depends on how long people live and how many are on either scheme. That is unavoidable. But we must be careful not to let people slip away altogether while we are making the transition.

Mr. Fleming: The United States period may never end.

Mr. Shaw: Are we trying to hold to some specific part of the brief, Mr. Chairman?

The Chairman: We can now leave the first part unless the members have some questions on the contributory system, and we can go on to the next subject.

The Witness: We have started on it.

The Chairman: We have started on "employment", yes.

Mr. SHAW: I was going to ask for information regarding the supplementary program.

The CHAIRMAN: That is in the first part.

By Mr. Shaw:

Q. I wonder if Professor Morgan would care to elaborate upon what he expects or hopes to cover in the supplementary program? What conditions, what additional payments have you in mind?—A. I think the thing that most of my colleagues and I are most anxious about is medical care. We know that medical care costs are very high. We know that from the age of 50 or 60 onwards special kinds of medical care are necessary.

Q. But that of course is now being provided by some provinces for the aged on a non-means test basis.—A. And minimum care, basic care with a very limited list of drugs.

Q. As far as drugs are concerned, I have in mind the case of two persons, a man and wife, both of whom are qualified for and receive old age pension. Within the past two years they have had medical and hospital bills covered amounting to, let us say, $1,200 to $1,400. So while the minimum applies to drugs in a sense, they receive them only while in hospital. But in some provinces there are generous schemes which cover practically the whole field.—A. It depends a good deal on the province. You mentioned that it was being done.

Q. Yes, in a certain province, my own, in Alberta. That is what I have in mind.—A. Another great need about which we have a lot of evidence is that of housing, the kind of housing appropriate to the needs of older retired people. That is an area in which we have done something, but not very much. There are one or two interesting experiments in Canada. I have in mind the Burlington Apartment for older people.

By the Chairman:

Q. Would you explain that to the members of the committee.—A. I happen to know about it. I saw it recently. It is a case where the Canadian Legion and a group of citizens provided or raised the capital and they have built a self-sustaining old people's apartment at Burlington. These apartments are within the rental capacity of the older people, which capacity is quite low; and the apartments are of a kind suitable for retired older couples; and from what I have seen of it in its experimental stage, and from what I have heard about it, it seems to be working out quite well.

By Mr. Shaw:

Q. Who are they?—A. The original block of money to build the apartments was put up I think by a citizens' committee. I am not too sure of the actual details, but you could get them. In fact, if you wish, I could get them for you.

Q. Some of the service clubs within our own country have done very excellent work in that?—A. That is one experiment and there is another in Montreal where the family welfare association used a legacy to set up old people's apartments in Belvedere House, which is a very attractive experiment showing that if you want to provide the kind of houses old people need it can be done economically. But you have to set about it with intent and not leave it to chance.

Q. And you have in mind also the supplementary matters—medical, dental, and optical care, and so on, plus housing. Those are your two principles?—A. They are the two things. There are other things. There is the possibility of keeping people from becoming ill by providing home nursing services and home visiting services. An experiment I have in mind is one which is developing

in connection with the Montefiore Hospital in New York where they are providing services in the home to prevent people coming into hospitals and institutions. There are good economic reasons for keeping people up and about and well.

Q. It is conceivable, Mr. Chairman, is it not, that if an old age scheme of this character were to be put into operation the provinces would be in a better position possibly to extend greater services in the fields of curative and preventive medicine to these older persons? I am not saying that they would, but there is an open field where they could make a generous contribution?—A. That is the point we have raised. We are very anxious that this committee should look at the rest of old age security as well as pensions. How it shall be done is quite a proposition but there are these experiments going on in various countries relating to home service, home visiting, nutritional services, advice service and I think those are big problems.

Those other services are intended to keep people fit and healthy within the home—which should be cheaper for the community.

Q. I think that is a very laudable and logical view which your organization has in mind.

By Mr. Fleming:

Q. You have the same thing in mind as for instance the scheme in Sweden with regard to places for aged people?—A. They have housing—

Q. Yes, permanent houses but with separate apartments in them?—A. Burlington is like that.

The CHAIRMAN: I am informed that Dr. Davidson has written to Central Mortgage and Housing asking if it would be possible if the present Housing Act could provide for the building of special homes—individual apartments—for aged people. We will obtain some detailed information which I will pass on to members of the committee.

Mr. SHAW: I think it is very important and if I may just add, we have very serious problems which we are running into in our various municipalities with respect to beds being filled by older persons, many of them pensioners, who have no other place to go. They are taking up space which should be utilized for persons who are ill.

Mr. FLEMING: It is much too expensive space.

Mr. SHAW: In my own town we have no less than eight of such persons who have no place to go.

Mr. BLAIR: So they are in hospital.

Mr. SHAW: Yes, and it is quite a burden on the hospital—and an unprofitable one, incidentally, for the hospital.

Mr. MACINNIS: And they remain there for years.

Mr. BLAIR: You find another situation in places where they have homes for the aged. There are no restrictions, there is no compulsion, there is no law, and they are not disciplinary institutions. Persons can come and go as they see fit. They will come in from some other municipality and, when they become 70 years of age, they draw their pension and go out and live in the town. Then, later, they become ill and they are put in hospital. That does not provide a solution to the problem at all. Those people become then a charge on the municipality. They do not belong to the municipality in the first place but they were living in the home provided for them until receiving the old age pension which they established residence in an adjacent town. Sooner or later when they become ill they have to be looked after.

The CHAIRMAN: That is an objection to a pension.

Mr. BLAIR: Well it is a situation that does arise.

The WITNESS: I was going to say that we have now got to page 5 of the original brief and there are a number of points we have not covered.

The CHAIRMAN: Please go on?

The WITNESS: I was wondering whether members of the committee had any questions?

Mr. FLEMING: Professor Morgan, these things are all tied in together. If you grapple with the problem of housing for the aged persons and approach that scientifically as you suggest, these other things you are suggesting as being necessary could be handled along with it in a relatively simple way, could they not? You refer to the question of recreational provision, and the question of employment and so on, which will lend themselves to much easier solution if you first deal with the problem of housing?

The WITNESS: I think I just wanted to make it that clear if there was nothing else on this section I would be happy to answer you further. I agree that having raised the question it spreads itself out for examination.

Mr. MACINNIS: I think the question of housing is an extremely complicated one and if this committee desires some information on it, I think it would be well for us to get that information from representatives of organizations that have embarked on housing schemes. There are a great many matters that you can only find out after a particular plan has been in operation for some time.

Mr. FLEMING: Well federal jurisdiction could not go much beyond helping a situation of that kind subject to observances as they stand. The actual provision has to be made at the local level.

Mr. MACINNIS: That would depend upon what ultimately we decide to do with old age pensions.

Mr. FLEMING: Have you any comment to make on that? I refer to using the local level of government and services to achieve the best results with respect to these various forms of social services rendered to aged people—as apart from the economic service in the form of the monthly cheque?—A. Traditionally we have taken it that the services are appropriately local responsibilities. I think we have to look at two things: first, whether there is any way in which we can encourage better service—as for example we now do through health grants. We have to see whether better services in the field of old age can be encouraged in any way. Health is a provincial responsibility but we maintain consultative and specialized services and we are now making health grants to bring the services up to a reasonable standard.

Q. When you say "we" who do you mean?—A. I mean the dominion government.

I see no reason why we should not go into the field of geriatrics in just the same way—possibly doing something towards leadership. Encouragement and assistance could begin with the provinces, in the same way as for health, that would be one way to do it. In other things like research geriatrics, and research rehabilitation—and may I interject that I just happened to read a report where, using modern rehabilitation techniques a whole lot of chronic people are able to get out of bed—they are still being taken care of but they are not bed patients. There is a whole field of medical research on geriatrics, where the problem of dominion leadership could be a very important factor.

Q. When you talk about leadership I take it that you are including the dominion contribution?—A. There is more to it than that. I am not sure that any province of itself could maintain an expert institution on geriatrics—some might and some might not. Geriatrics is, of course, the new science of caring for the aged or older people, in keeping them fit, healthy, and well instead of letting them get sick and having to go to hospital.

Hon. Mr. KING: These matters of health and care do fall within the narrower field and you can do better for them there?

The WITNESS: I do not know that I got the question?

Hon. Mr. KING: The narrower you keep these services, within the municipality and the provinces, the better?

The WITNESS: That has been our general pattern of thinking but I think all for all services, particularly in a community with such wide differences of provincial revenue possibilities as exist in Canada. There is a need for help in some areas for skilled specialized services; a need which justifies in this field, as in health, very serious consideration.

I would like if I may to make one small alteration of the point at the bottom of page 7 where we were discussing the whole question of nursing homes and a piece slipped out there—about three lines from the bottom. You will note it says "To meet this difficulty we believe a form of government subsidy should be available to nursing homes—" and we intended to qualify it to the extent of "operated by reputable agencies on a non-profit basis."

We do not think that anyone who runs a home for old people should think themselves qualified for subsidy, but licensing would bring all homes up to a reasonably minimum standard and those which were being operated as a community service might be encouraged by some form of subsidy.

Mr. FLEMING: You know of an unfortunate experience in our city of Toronto along that line. The worst cases of ill treatment of aged persons were those in private homes where they take in a large number of people and do not give them proper care.

The WITNESS: Well, the business of caring for the aged—out of sight, out of mind—is a very serious problem. It is very expensive too as you know, from our experience in the city.

The CHAIRMAN: With respect to the paragraph on page 8 headed "Personnel", do you believe that the Department of Health and Welfare here in Ottawa should add to its personnel a large group of qualified social workers who would make continuous inquiries on the social level of the people of Canada and about the social conditions in which they live?

The WITNESS: I am not sure that I am going to put the answer quite as simply as "yes" or "no".

The CHAIRMAN: Would you comment on that?

The WITNESS: I think just as in the health field we have cancer specialists, V. D. specialists, hospital construction specialists, so I think we need to have in this field of old age, specialists in social care and geriatric care as part of the consultative and research aspects of this field. That would be my reaction at the moment to that question. As we now operate we have specialists and consultants and research people in federal departments because it is an all-Canadian problem, and the provinces all need the same kind of help—just as I said that we have specialists for cancer, V.D., hospital construction and other things. This now is a rapidly expanding field and the whole field of care of the aged would certainly justify some special study both socially and medically. I do not know that it is a fair answer but it is the best answer I can give.

By Mr. Fleming:

Q. Yes, you could save money by avoiding a lot of the duplication of research work that is being done in Canada right now?—A. In various kinds of research—we have nothing I know of in Canada comparable to the work for instance which is being done in California or in New York—the universities or

institutions on geriatrics. I think there is a great need to put some money into finding out how to keep people well. I think that is pretty clear from the reports. A lot of things look like duplication—such as the work of the Nuffield Foundation in Great Britain, and others—

Q. I was not thinking of that kind of thing?—A. This is a field that has been relatively neglected up to the present.

Q. There are some other fields. I was thinking of in your suggestion about parliamentary responsibility with respect to research, and planning the method of undertaking research. I think we ought to avoid duplication.—A. I agree.

Q. There has been duplication in some fields of health research which has not been altogether desirable?

The CHAIRMAN: Are there any other questions, gentlemen? Any other comments, Professor Morgan?

The WITNESS: I do not think so, Mr. Chairman. I think I have probably said as much as I should.

The CHAIRMAN: Well, Miss Maines and Professor Morgan, I think the members of the committee will join with me in thanking you very much for your brief, not only for the first part of it which is very important, but also for the second part on the social aspects of the question. It has aroused our interest greatly because you organization is the first to focus our attention on this aspect of the problem. So we thank you very much. We are going to study your representations with great care and we shall do our best to give the country a system which will be not only workable but good for all.

Again we thank you very much. Now, gentlemen, just one word: I have here a folder entitled "Other Briefs". It contains briefs sent in by organizations, corporations, and even by individuals who are not going to be heard by the committee either because they have not asked to be heard or because they are not national organizations. I wonder if those briefs should be made part of the proceedings as an appendix?

Mr. FLEMING: I suggest they be included. Have we got them all in yet?

The CHAIRMAN: No. I do not think all of them are in yet.

Mr. FLEMING: Then would it not be better to wait until we have got them complete and then put them all in together.

The CHAIRMAN: Very well. We shall have some more because there are some representations which we have received from organizations which the steering committee has not yet decided to hear. Therefore we do not yet know whether or not we are going to hear them, and accordingly the briefs are not included in this folder.

Mr. FLEMING: Could we not decide to have those briefs printed as an appendix to our proceedings when you think best? We leave it to you.

The CHAIRMAN: Very well. I shall wait because I know there are some more coming in. Well, gentlemen, on Monday we shall hear representatives from the Canadian Manufacturers Association.

Mr. FLEMING: At what hour?

The CHAIRMAN: At 4 o'clock in this room.

The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

MONDAY, MAY 15, 1950

WITNESSES:

Mr. G. K. Sheils, Chairman, Industrial Relations Committee, Canadian Manufacturers' Association, Toronto, Ont.

Mr. H. W. Macdonnell, Legal Secretary, Canadian Manufacturers' Association, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

MONDAY, May 15, 1950

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senator Burke.

House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brown (*Essex West*), Corry, Ferrie, Fleming, Homuth, Laing, Lesage, MacInnis, Richard (*Gloucester*), Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Mr. G. K. Sheils, Chairman, Industrial Relations Committee, and Mr. H. W. Macdonnell, Legal Secretary, Canadian Manufacturers' Association; Dr. G. F. Davidson, Deputy Minister of Welfare.

Mr. Sheils made a general statement, then presented a brief on behalf of the Canadian Manufacturers' Association.

The brief was taken as read and it was ordered that it be printed in this days' Minutes of Evidence.

Examination of Mr. Sheils and Mr. Macdonnell followed.

At 6.10 p.m., witnesses retired and the Committee adjourned until Tuesday, May 16, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

62443—1½

MINUTES OF EVIDENCE

House of Commons,
Monday, May 15, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4:00 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The Chairman: Gentlemen, we have a quorum. On my right are representatives of the Canadian Manufacturers' Association. They are Mr. G. K. Sheils, the Chairman of the Industrial Relations Committee of the Canadian Manufacturers' Association and Mr. H. W. Macdonnell, the Legal Secretary of the Canadian Manufacturers' Association. Gentlemen, all members of the committee will join with me when I say we are very grateful to you for having come here this afternoon to give this committee the opinion of the members of your association, which represents a large section of the Canadian people. Our committee is doing its best and trying very hard to find a solution to this very complicated problem, and we appreciate very much the fact that you are willing to help us in this tremendous work. Mr. Sheils you have the floor.

Mr. G. K. Sheils, Chairman of the Industrial Relations Committee, Canadian Manufacturers' Association, called:

The Witness: I would like, Mr. Chairman, and gentlemen to make a short explanatory statement before the questioning takes place on the various portions of the brief, and that is simply this: As you will have noticed in our brief, we point out that the annual general meeting of our association takes place in Toronto the latter part of next week, and in keeping with democratic principles we have always made it a practice to submit important questions to the annual general meeting, and try to get the expression of opinion of the members present thereat. This question of old age security, and particularly the retirement pension section of it, occupies a most important place on the agenda for this forthcoming meeting. As a matter of fact, we propose to discuss old age security and retirement pensions for the first two days out of our two and one half days meeting, so that it is not being slighted by any means. In view of this it had originally been planned that we would appear before this committee immediately following our annual meeting so that we would be able to give you the full views of the association on certain points. I wish to make this reference just so that no member will feel that if either Mr. Macdonnell or myself appears unable to answer you fully on any question you will not feel that we are trying to hedge on the thing; it simply will mean that we are not posted on the thinking of all members of the association on that particular point, and we therefore hesitate to try to express their opinions when we do not know what it is. I hope there will not be many points on which I might have to do that, but I am anxious that the committee members should not feel we are trying to hedge or cover up on something if we say frankly we are unable to answer that point.

I do not think there is anything I need weary you with in connection with the brief. I hope it has been of interest to you and constructive and that if

you desire, sirs, we are prepared to proceed and try to answer any questions you may ask. I do not think I should take the time of the committee by trying to review it.

The CHAIRMAN: The members of the committee will have noted in reading the brief of the Canadian Manufacturers' Association that after an introductory part which covers the three first pages, the brief is very well divided under relevant headings. If it is the wish of the committee, questions may be asked first on the introductory part and again when we cover each paragraph under its caption, one at a time. Would it suit you, Mr. Sheils?

The WITNESS: Splendid.

The CHAIRMAN: Would it suit the members of the committee?

Carried.

TO THE CHAIRMAN AND MEMBERS
OF THE
JOINT HOUSE OF COMMONS-SENATE
COMMITTEE ON OLD AGE SECURITY:

Sirs:

The Canadian Manufacturers' Association welcomes the opportunity of expressing its views on the very important subject which your Committee has been set up to consider.

In 1929, and again in 1938, our Association went on record as favoring the adoption by the Government of Canada of an "all-in", contributory system of old age pensions under which the recipients of pension benefits would receive them as a matter of right, not as a matter of charity. Having reviewed the question in the light of present day conditions, the Association still adheres to the broad lines of policy which it advocated in its two earlier submissions. What follows in this brief is, therefore, largely an elaboration or expansion of our previous representations on this subject.

It is common knowledge that during the past fifty years, the proportion of the Canadian population in the older age groups has steadily increased. Thus, the Bank of Nova Scotia "Monthly Review" of February, 1950, states that children and young adults now make up a significantly smaller percentage of the population than at the beginning of the century, i.e. 54 per cent as against 63 per cent; that the proportion in the 30 to 44 age group has changed but little, i.e. from 18 per cent to 20 per cent; that, on the other hand, the proportion of age 45 and over, has increased from 19 per cent to 26 per cent; and that over the fifty-year period, while the number of children under 15 has about doubled, the number of persons of age 45 and over, has more than trebled.

This growing percentage of aged persons in our population serves to emphasize the necessity of dealing with this problem of old age security on a long range, constructive basis rather than by means of short term measures or expedients.

As previously stated we are of the opinion that a contributory old age pension plan on a national basis is an essential factor in the provision of that level of protection for the aged which is demanded by today's social thinking. We believe further that the minds of most men who have made a close study of this problem are turning in this same direction. They are beginning to realize that this basic level of protection or "security" will never be attained by the establishment of industrial pension plans, whether set up solely by employers, or jointly by unions and employers. They note the fact that, after seventy-five years of pension plan experience in the United States, only about four millions of that country's sixty millions of gainfully employed persons are covered by such industrial plans. The comparable Canadian figures are 630,000 workers

covered by pension plans out of 5,000,000 gainfully employed persons. They can see also that many of the largest of such joint union-employer plans result in the provision of pensions for members of powerful unions at the expense of all other workers in their role of consumers and taxpayers. There are definite indications that these other workers are, themselves, beginning to realize that this is the case.

Another factor which tends to influence informed public opinion towards the enactment of the broadest possible form of contributory old age pension legislation is the belief that unless such a plan is set up, there will increasingly be a tendency to try to provide the desired protection for the aged through the medium of the existing Old Age Assistance Scheme. As to this, the Association still believes, as it stated in 1929 and in 1938, that, in the words of Charles Booth the well-known English Sociologist, to "select the poor is to pauperize", and to put a premium on thriftlessness and fraud. The only justification for such a system is that the alternative, viz. doing away with the means test and pensioning everybody, would be too expensive. How expensive it would be has been clearly explained by the Honourable the Minister of Health. As he points out, the burden which would be imposed on the country's economy would become more serious year by year. As a result of the increasing longevity of our people and the gradual lengthening of the period of education of our youth, the task of producing the wealth of the country, out of the proceeds of which pensions along with all other social security benefits must come, falls upon a steadily declining percentage of our population while at the same time, the proportion in the aged, or recipient, group continues to grow. This situation which is even more strongly marked than twenty years ago adds, it is submitted, great strength to the argument that the contributory or insurance pension plan in combination with coverage as universal as possible serves the triple purpose of keeping down the expense, eliminating the incentive to thriftlessness and fraud, and stimulating instead of sapping, self-reliance and independence.

In short, we submit again as we did in 1929 and 1938, that considerations of coverage, equity, the avoidance of costly and discriminatory "relief" or "charity" payments, and the protection of both the economy of our country and the aged in our population, all argue for the inauguration of an over-all, contributory old age pension plan on a reasonably adequate basis.

In our opinion, any such plan should have incorporated in it the following basic principles, i.e.:—

1. *Coverage*

(*a*) *Substantially all gainfully-employed persons.*

The cost of pensions, whether financed by contributions of employers only, of employers and employees, from Government revenues, or by a combination of two or more of these methods, must, in the final analysis, be paid from profits, or in the form of higher prices, or taxes, with resultant discrimination against any group excluded from coverage.

As above mentioned, certain industrial plans have exactly this effect—a national plan should seek to avoid this weakness. In addition, partial coverage impedes the movement of workers between covered and non-covered employments, militates against the hiring of older workers and complicates administration of the plan. For this reason, coverage under the plan should be made as nearly universal as possible. In this connection, it is of interest to note that the United States, after thirteen years experience wih a contributory old age pension plan which originally excluded all self-employed persons, domestic service, farm labour, employment by non-profit institutions, etc., is in process of considering a bill known as H.R. 6000 which seeks to extend the coverage

of the plan to the great bulk of non-farm self-employment, to all domestic service except on farms, to borderline agricultural labour such as packaging, processing, etc. and to workers in non-profit institutions.

(*b*) *Coverage should not be limited or deferred by eligibility requirements.*

Under practically all industrial plans, there are certain eligibility requirements such as age, length of service, etc. Under a national universal coverage plan, each employed person carries all credits which he has earned to date with him when he moves from one covered employment to another and the legal, administrative and financial reasons for limiting eligibility which obtain under industral plans do not exst. On the contrary, coverage under a natonal plan should begin with the first pay period in covered employment of each employed person and continue so long as he remains in covered employment, regardless of transfers from one employer to another. This has the effect of obtaining the maximum over-all volume of contributions to the plan and at the same time, assists the individual participant to build up the required minimum number of contributions without which he is not entitled to draw benefits.

2. *Financing of Plan.*

(*a*) *All participants in the plan should contribute.*

If the contributory plan is adopted as has been urged, it follows that all the participants in the plan should contribute. In the case of employed persons, the principle usually adopted, which the Association recommends, is that of equal contributions by employer and employees. If it is found practicable to include the self-employed, their contribution might well be set at one and one-half times the regular employee's rate, which is the method proposed in the U.S. Bill H.R. 6000 now before the Senate. Under a national, over-all, contributory pension plan, benefits should be tied to contributions made by or on behalf of a participant, and in order to avoid the payment of pensions in excess of a reasonable maximum, it should be provided that contributions shall be levied on earnings only up to a certain specified amount. For example, Bill H.R. 6000 sets out that contributions, whether from employer and employee, or from the latter only as self-employed, shall be based on annual earnings not in excess of $3,600. The Canadian limit should be proportionately lower, having regard to the difference in national income and wage levels.

(*b*) *The plan should be self-supporting except for administrative costs.*

The Canadian Government presently carries the administrative costs of the Old Age Assistance Scheme and of the Unemployment Insurance and Employment Service system. It would, therefore, seem to be appropriate that, as its contribution to this over-all old age pension plan, the Government should carry such costs, particularly if, as would seem to be desirable, the administration of any new old age pension plan adopted is integrated with that of one or more of the existing "Social Security" measures.

(*c*) *The plan should be established on a modified pay-as-you-go basis.*

If the proposed old age pension plan were set up on a straight pay-as-you-go basis, the contributions required to meet the pension outlays would be very small during the early years of its life. If, on the other hand, the contribution rate were established at the outset at what might be found actuarily necessary in order to provide, on a "level-rate" basis, for the total pension payments under the plan in its later as well as its earlier years, a large reserve fund would build up during the initial period when, as stated above, benefit payments would be small. The presence of such a fund would stimulate unsound but nonetheless politically embarrassing demands for increases in

benefits. As against this disadvantage, the straight pay-as-you-go basis would obviously result in higher contribution rates in the later years, when the plan is fully operative, than would be required under the "level-rate" scheme.

In these circumstances, it is submitted that what should be done is to adopt a reasonable compromise between these two methods and to start off with a contribution rate a little higher than is required to meet benefit outlays and thus build up a contingency reserve equal to two or three years of pension payments. Then, as these payments increase, the rates of contribution would be adjusted upwards to meet them but the required adjustment would not be as sudden nor would the final rate be quite as high as would have been the case on a straight pay-as-you-go basis. The existing U.S. Social Security legislation offers an example of this form of treatment. With a contribution rate of 1% for both employers and employees, a contingency reserve of eleven billions has been built up between 1937 and the end of 1949. This reserve will cushion both the upward adjustment of the contribution rate which will be required as pension payments increase and the final rate level. Had the U. S. plan been set up at the beginning, on a "level-rate" basis, by this date the reserves would have reached such astronomical figures that it would have been very difficult to resist unreasonable demands for higher benefits. If such demands are granted, the inevitable result will obviously be even higher costs and contribution rates than presently contemplated.

3. *Benefits*

(*a*) *Pensions should be related to the contributions made by or on behalf of the individual participant, except for persons entitled to not more than the "minimum pension" referred to in* (*c*) *hereunder.*

"Flat" or uniform pensions are not feasible in countries where there is a wide spread between the wage rates in various occupations and geographical areas. (This principle is recognized in the present U. S. Social Security legislation which has been in force since 1937 and in Bill H.R. 6000 above mentioned which seeks to expand and liberalize the current contributory pension system). Instead, subject always to the participant having made the prescribed minimum number of contributions to entitle him to pension benefits, and to what is said in Section (*c*) hereunder re "minimum pensions" the pension payable to the participant when he reaches retirement age and "goes on pension" should be related to his earnings in covered employment and the contributions made with respect thereto.

In the setting up of such a plan, the first step is to arrive at a contribution rate which when paid by both employee and employer will, plus interest, yield the amount of pension considered to be "reasonably adequate". The rate structure thus developed would then require to be modified somewhat in order to take care of certain related factors. For example, if, as is recommended above, it is decided to set up the plan on a modified pay-as-you-go basis, then the contribution rate at the start would need to be set somewhat lower than if the level rate-high reserve method were to be followed.

(*b*) *Pensions should be paid to widows and orphans of participants.*

Provision should be made for the payment of pensions to the widows and orphans of participants, such payments to be calculated as a percentage of the pension benefits of the participants themselves. The financing of these benefits should be taken into consideration in determining the rate of contribution.

(*c*) *Minimum Pensions.*

In the Association's view, there should be established an appropriate minimum pension payable as of right, to persons in covered employment, who

at the time of the setting up of the said plan, were at or beyond retirement age or were so close to it that their contributions would not be sufficient to entitle them to a pension in excess of such amount.

There are two obvious ways in which such minimum pensions might be financed. They might be paid out of the contributory old age pension fund, or they might be paid from the general revenues of the Government.

The making of a choice between these two methods, involves so many important considerations that before making any definite recommendation with respect thereto, the Association wishes to give the whole matter further study through consultation with its general membership, and discussion at its Annual General Meeting to be held in the last week of May. We would therefore ask permission to make further representations on this particular question, when our representatives appear before your Committee for purposes of explaining, or speaking to, any section or sections of our Submission in which your Committee may be particularly interested.

4. *Pensionable Age.*

At present the retirement age specified in U.S. old age pension legislation is sixty-five for both men and women. In Great Britain it is sixty-five for men and sixty for women. There are, however, in our opinion, a number of very good reasons why the retirement age under the proposed contributory old age pension plan should be well above sixty-five.

These are:

(*a*) the increasing longevity of both men and women and their demonstrated ability, under the improved working conditions now in existence in almost all employment, to work at higher ages than formerly:

(*b*) the lengthening period of education for our young people, thus delaying their entrance into the ranks of the producers of wealth;

(*c*) the fact that, in view of the foregoing, the responsibility for production of the revenue which is to be taxed (by contributions) to finance the steadily increasing cost of old age protection for the group referred to in (*a*) above is being borne by a gradually decreasing percentage of our total population, and that the setting of the higher retirement age would, in a measure relieve this situation, and

(*d*) the cost considerations involved in the purchase of a pension under the insurance type of plan—in other words, the fact that, given the same contribution rate, the pension available, say, at sixty-eight or seventy, would be much more satisfactory than that available at sixty-five.

On the other hand, the Association realizes that the great majority of the industrial pension plans which are presently in operation in industry, commerce and finance, specify a retirement age of sixty-five for men and sometimes as low as sixty for women. If the retirement age fixed under a national insurance plan were higher than sixty-five, the problem would be created for employers of working out with their employees arrangements for bridging the gap between the two ages.

It is also recognized that in some industries, a certain percentage of employees are not physically capable of continuing to work after sixty-five. This, no doubt was one of the governing considerations in U.S. and U.K. in making pensions available at sixty-five.

Such being in rough outline the arguments in favour of fixing the pensionable age (*a*) at sixty-five, and (*b*) at a substantially later age, there remains as an all-important consideration in arriving at a definite decision, the question of cost.—in other words, how much the country can afford. This whole question of what the pensionable age should be, would seem to require the most careful

study by all concerned and it goes without saying that the Association stands ready to co-operate in every possible way in the carrying out of such a study.

5. *People should be encouraged to continue to work after whatever retirement age is fixed.*

There may be cases where it would be the desire of both employer and employee to have continued in employment beyond whatever retirement age is fixed, a worker who is mentally and physically able to perform efficiently, and with safety to himself and others, available work. This should be not only permitted but encouraged under the plan, which should provide that during such further period of employment prior to retirement, contributions from both employer and employee continue and that upon retirement the pensions of such employees should be increased, having regard to such additional contributions and to the shorter life expectancy of the pensioner following such deferred retirement.

Further, in the case of persons who have retired and are in receipt of pensions, there should be provision for encouraging them to continue to contribute to the production of the country by accepting occasional or part-time employment. To this end no contributions should be required from them in respect of such work and their pensions should not be reduced unless the earnings received for such work exceed a specified amount which should be higher than that presently fixed in respect of Old Age Assistance payments.

6. *Contributions allowed as deductions for income tax purposes.*

Contributions by employees and employers under the proposed national plan should be allowed as deductions from taxable income. This is in line with the treatment presently accorded such payments made in respect of approved industrial plans. It follows, of course, that where the contributions are thus exempt from taxation, the pension benefits should be considered as income for tax purposes.

7. *Assistance for dependent aged who cannot be brought under the proposed national contributory plan.*

It is recognized that it will probably not be administratively feasible to make the contributory plan universal at the outset (*vide* the U.S. experience in this respect) and that, therefore, for some years at least, there will remain the problem of providing "relief" for the dependent aged who are not covered. Pending the ultimate bringing of all such persons into the contributory and pensions-as-a-matter-of-right class, it is submitted that a means test ,either as at present or as may be amended, should be retained for this Old Age Assistance group. Further it would seem to us to be important that should the Government consider making any reduction in the age at which a person becomes entitled to apply for Old Age Assistance, the age should in no circumstances be reduced below the retirement age fixed under the contributory pension plan.

In submitting the above views, the Association has deliberately refrained from attempting to say what the rates of contribution and of benefit should be. It assumes that it will be agreed that in fixing such rates, account will have to be taken of the basic differences between the national income and wage rates of Canada, and of other countries whose pension experience may have been studied by your Committee, to the end that the additional financial burden imposed upon the country's economy may be borne without danger thereto, or impairment of other vital national services.

As previously mentioned, the Annual General Meeting of our Association is being held during the last week of May. At that time, this whole question of

Old Age Security will occupy an important place on our agenda. It may well be that arising out of our discussions at these sessions, we may desire to submit to your Committee certain other or further recommendations on this important subject. We sincerely trust that this may be permitted either in the form of a supplementary Brief, or by oral presentation.

All of which is respectfully submitted,

CANADIAN MANUFACTURERS' ASSOCIATION (INC.)

G. K. SHEILS,
Chairman,
Industrial Relations Committee.

Ottawa, April 1950.

The CHAIRMAN: Are there any questions on the introductory part?

Mr. FLEMING: I take it it is the view of your association, Mr. Sheils, that the institution of a contributory old age pension plan on a national basis, as you have outlined it here, is an urgent matter for Canada.

The WITNESS: Yes, sir.

By The Chairman:

Q. The most important point in the view of your association is that the pension should be paid as a matter of right and not as a matter of charity?—A. Under this contributory system.

Q. Yes, of course; it follows from Mr. Fleming's question.—A. Yes, sir.

Q. That means the abolition of the means test?—A. For the contributory section.

Q. For the contributors?—A. We have stated in one of the paragraphs we think there will need to be a supplementary non-contributory means test section.

Mr. FLEMING: That is later?

The WITNESS: Yes.

The CHAIRMAN: And your opinion also, as revealed in the introductory part of the brief, is that there is considerable pressure from the people of Canada for an improvement in this field, for better coverage?

The WITNESS: That is the opinion of our membership, sir, in the discussions we have had.

Mr. BROWN: You have knowledge, of course, Mr. Sheils, of the envy with which people look at a huge fund built up. Is it your view that there should be such a fund accumulated?

The CHAIRMAN: That comes later, Mr. Brown.

The WITNESS: I quite agree with your suggestion as to what people will want to do with it if a huge fund is built up. We would like to get away from that.

By The Chairman:

Q. You put some emphasis, at the top of page 3, on the abolition of the means test.—A. We are endeavouring there, sir, to point out that in our opinion the pressures which are being exercised to abolish the means test in connection with the present non-contributory pension plan are dangerous and should be resisted. We do not believe in the abolition of the means test for the non-contributory system.

Q. What you present is a double system?—A. Yes. Primarily a contributory plan; secondly, for those groups and individuals who cannot be brought under the contributory plan, and extension of the present system.

Q. Or whose benefits under the contributory plan would not be sufficient?—A. Oh, yes, I did not follow you for the moment; those who after receiving a contributory pension as a matter of right would be adjuged to be still in destitute circumstances.

By Mr. Shaw:

Q. May I ask the witness if he would take issue then with the associations who have advocated a basic pension say at age 70 for those who are now in that age category, without a means test? You would take issue with that position, would you?

The CHAIRMAN: You mean a universal pension?

Mr. SHAW: A basic pension for those say over 70 years of age.

The CHAIRMAN: That is not related to the contributory pensions?

The WITNESS: No, sir, we do not take issue with that. On page 9 we approve minimum pensions, we deal with that.

By Mr. Shaw:

Q. But the witness has already said he advocates the maintenance of the the means test for those who cannot qualify under a contributory scheme. You do not agree, then, with those organizations who have advocated a basic pension for all over 70 years of age without a means test?—A. I think the confusion arises, sir, in the definition of "qualify." What we have in mind is that those persons who would be covered by the law relating to the contributory plan and who are past the retirement age or at it, would get this minimum pension as a matter of right; those who would never come under the contributory law because of administration difficulties, we will say, in covering them, they, we feel, should continue on the means test type of pension aid.

Q. Does that, Mr. Chairman, include those who are presently in receipt of old age pensions? You say they should continue to be subjected to a means test?—A. Yes, those who are presently in receipt of old age pensions.

The CHAIRMAN: You have a paragraph on this further on. May I suggest we get to page 4.

By Mr. Shaw:

Q. Before you leave page 3, there is one other matter. I notice down about two-thirds of the distance of the page, they make reference to such things as "thriftlessness and fraud . . . sapping, of self-reliance and independence", and that is said in reference to non-contributory schemes. Now, would you say, Mr. Sheils, that people have been guilty of thriftlessness, fraud and lack of self-reliance and independence, in those cases today where we have pensions on an non-contributory basis?—A. Undoubtedly some of these people have.

Q. You are referring now to which type of pension; would you be specific? —A. I am speaking of the type of pension where the recipient is found to be eligible under a means test.

Q. You are speaking of the old age pensioners of today?—A. Yes; undoubtedly some of those people are in that position because of thriftlessness.

Q. There may be the odd person.—A. One hears of that when one hears of a pension being awarded to some one in a neighbourhood and several other people in the neighbourhood hear of that and know that they were in similar circumstances to the pensioner when employed. They, however, saved a little

money and now cannot qualify under the means test; they feel that a premium has been put on thriftlessness in that their neighbour has been able to qualify under the means test.

The CHAIRMAN: If you take away the means test you have opened the door?

The WITNESS: Absolutely. We do not agree that the means test should be abolished on the non-contributory pension scheme.

Mr. SMITH: What would happen to these people who are now employed and who are not making payments into a contributory pension scheme?

The CHAIRMAN: That comes a little later, Mr. Smith, in the details of the plan proposed by the Canadian Manufacturers' Association.

Mr. SMITH: I read it rather hurriedly and I did not see that it was covered.

The CHAIRMAN: We are coming to coverage on page 4.

Mr. SHAW: The phrase is used on page 3: keeping down the expense. Is it the opinion of the Canadian Manufacturers' Association that a contributory scheme can be administered more cheaply than the scheme we have today?

The CHAIRMAN: That is one quite important question, but I thought we could keep it for the time when we see exact details of the plan which is proposed.

Mr. SHAW: Mr. Chairman, I merely referred to it because it is given as one of the triple purposes in this scheme which is advocated. Before leaving page 3, and in relation to what I said previously, I rather fancy personally—it is only a matter of opinion, now—that probably the expressions used on page 3 to characterize the condition that has developed under our existing old age pension scheme are a little too strong under the circumstances. It is just an opinion. I was rather put out when I read those expressions but I will leave it at that, Mr. Chairman.

Mr. CHAIRMAN: I do not want to prevent you from asking any questions, Mr. Shaw.

Mr. SHAW: No, no, Mr. Chairman, I am just expressing the view that I think the language was too strong, because we have other forms of non-contributory pensions such as the R.C.M.P. pensions and certainly those conditions have not developed in relation to them.

Mr. MACINNIS: Even judges pensions, too.

The CHAIRMAN: But they are not under a means test.

Mr. MACINNIS: Certainly not. Take away the means test and you will not have these conditions.

The CHAIRMAN: Coverage, on page 4, (a) substantially all gainfully employed persons.

By Mr. Fleming:

Q. I wonder if Mr. Sheils could help us by being a little more specific about certain groups. He has mentioned the experience in the United States and what is proposed in bill H. R. 6000 of which we have heard something previously. Is he prepared to make any comments as to how far we can go in Canada in including some of these groups which have presented difficulties elsewhere from an administrative point of view.—A. Well, sir, I think that depends a great deal on the inventiveness and ingenuity of the government department which is administering those. Speaking as an individual I would imagine that the initial plan would take in groups such as are now covered under unemployment insurance where the contributions can be handled by a payroll deduction and a payroll tax on the employer; and again speaking as an individual, if I were setting this thing up, I would hesitate to try to cover much beyond that until

I had the plan clicking and could see what the implications were. I think that the fact that in the United States they did much of what I am suggesting shows that after running the plan for a number of years they have determined that they are able to make those extensions to the groups such as I think you have in mind.

Q. From your study have you come to any conclusions—I understand you have—as to the advisability from an administrative point of view of including some of those who have been left out of the United States scheme? For instance, I am thinking of farmers, agricultural workers and the self-employed?—A. I can see some difficulty in that. In the United States, as you know, they are getting away from that now and they are trying to provide coverage for a lot of those people such as farmers, the self-employed and so on. One of the great difficulties there is providing coverage for the self-employed. I believe they are doing something about that now, but just what it is I do not know.

Q. I take it then that it is your opinion that the plan should be as inclusive as possible and it is a matter of just how far to go, subject to overriding administrative difficulties.—A. You put it exactly, sir; we say as nearly universal as possible and that if universal coverage is not administratively feasible at the outset it should be set up on as near a universal basis as possible and then extended in future years to bring in as many as you possibly can under it.

Q. Am I correct in assuming that this proposal which you are putting before us is essentially similar to that now operating in the United States?—A. Not entirely, sir, no; as to coverage, yes, they are trying to get it as nearly universal as possible but we have not attempted to spell out, for instance, the benefit formula which is one of the features of H. R. 6000.

Q. But outside of that you are advocating the employer-employee contributory system?—A. Right, sir.

Q. Based on the insurance principle that you pay in so much and you take out so much?—A. Yes.

By Mr. Richard:

Q. The contributory plan would be paid by all?—A. That is the principle of it, sir, but I would like to put it this way; that in the case of a man who is today employed in the manufacturing industry, if anything like this comes up and eventually he comes to retirement age, if he is not covered by this plan he would be by the other one, the non-contributory plan.

Q. Such as the one we have today?—A. Yes, like the one we have today; but if he were under this plan he would never get into that position because he would be covered under this plan, he would contribute and get his pension as a matter of right, so that in the long run the institution of this plan would relieve pressure on the one you have at present.

Q. But if he wanted to have the benefit of this plan he would have to remain under it, is that the point?—A. He would have to remain under the non-contributory plan until such time as it became possible to bring him under this one.

Mr. FERRIE: What about the small dealer?

The WITNESS: You mean the self employed? In the United States they have apparently found it possible to include them.

Mr. FERRIE: And there are about 42 per cent in that category.

The CHAIRMAN: I might say, Mr. Ferrie, that with conditions the way they are at the present time the unemployment insurance scheme covers nearly 60 per cent of all the working force.

Mr. SHAW: Mr. Chairman, does Mr. Ferrie include in that 42 per cent—does he take into account there all the farmers, farmers' wives and children and so on?

Mr. FERRIE: I am talking about the labour population now.

The CHAIRMAN: You mean the labour force.

Mr. FERRIE: The labour force, yes.

Mr. MACINNIS: Might I ask one question here?

The CHAIRMAN: Mr. Ferrie has the floor.

By Mr. Ferrie:

Q. How does the witness feel that they should be taken care of—I refer to the non-contributory people? How do you feel it should be done. You said you do not agree with that. How are you going to give it to one part of a population and not to the other, particularly those individuals who are not and probably never will be in a position to participate in a contributory scheme of this kind? Let us suppose that you have a man who has contributed for a time, and then assuming that he has done that you find that he is away out on a farm and there is no place for him to come under the scheme or continue under the scheme; how is such a man going to get any old age security? Is he going to have to come under this means test program?—A. That is right, sir. We feel that a great many of those people who will not come under the contributory plan at the outset will gradually be taken in under an extension of the scheme similar to the one they have now in the United States where it is being extended to include the self-employed. This scheme is entirely contributory, as you know, the employers and the employees have put in the money for it and the government has not contributed to it except for the administrative expense, and as a result a man is entitled to pension as of right. In the case of a man who is not under that, who has not contributed to such a pension plan, we feel that he would come under the means test plan.

Q. That may be true up to a point, but as you say he has not been paying into the fund and he cannot collect from the fund; why should he be deprived of the right to a pension?—A. If you will excuse me, sir, I haven't heard of a system by which you can collect from them. I just say that as an individual I do not know how to go about it, and I must confess that I have not the unremitting ingenuity of government departments to meet such an issue. I would like to see that man covered as soon as administratively possible.

The CHAIRMAN: Would you allow the self-employed to come under the scheme voluntarily; give each individual a right to make his contribution into such a fund if he wishes to?

The WITNESS: Yes, if that is administratively possible; but in any event he should be eligible for a means test group benefit.

By Mr. MacInnis:

Q. My question refers to the contributory plan. We examined the United States plan very closely here and I think that we have found that a person may contribute to the plan for many years depending on the kind of employment he is in when he is in employment and that only certain employments are covered, and yet he may contribute all his life and not be eligible for a retirement pension when he has reached retirement age because he did not acquire sufficient insurance credit.—A. Yes.

Q. How would you deal with that situation?—A. He would come in the category which I mentioned to the chairman at the outset here. If he is entitled under the contributory plan and had not been able to pay, or had lapsed, or

if his contributions were so small and his income would be such that he was still in necessitous circumstances then he would come under the means test non-contributory plan.

Q. I am thinking of a situation similar to the one you referred to at the bottom of page 2, to the present employer pension schemes, where only the large and powerful organizations can form such a scheme. There you have a man contributing according to his ability and yet he could not get a pension as of right when his retirement age comes. He is in there now but because of circumstances perhaps over which he or nobody else has any control he has not been able to continue his employment and when he reaches the retirement age he cannot get that pension which he thought would be his as of right.—A. It all comes down, I am afraid, sir, to a matter of dollars and cents. Once a man has come under the plan and has contributed and as our plan builds up further and in ratio to his contributions he draws pension. You might say there that you raise a somewhat similar point to what has been put forward—when a man stays under a contributory plan long enough to make his qualifying contributions then he draws his pension as of right; if he does not stay in long enough to make his qualifying contributions then he is not really covered by the plan, he is not qualified under the plan.

Q. No, but I do not think you mean that the way you said it. He comes in under it and starts under it but probably not because of any choice of his own he may find himself today in an occupation which is covered and tomorrow in one which is not covered, yet he has no choice in the matter.—A. Well, sir, the plan is set up under a wide inclusive basis such as we have in unemployment insurance—under that scheme today a man can change to a wide variety of employment and still be under the scheme. That is one of the benefits of the plan we propose. We say that a man can go from industry to industry; let us say he can go from manufacturing to retail stores, or from retail stores back to manufacturing, and he is still covered by the basic plan that we have in view. Today if a man shifts from one factory to the factory across the street which is not covered he is just out of luck in the factory across the street. He is covered only so long as his employer comes under the pension scheme to which he is contributing.

Q. That is not the way it works out under the American scheme.—A. It is not working out at the present time that way because of the fact that all employers were not included.

Q. That has not worked out that way for those who are employed under it now, because there are 35 per cent who are not covered—I think that figure is right, 35 per cent of those who contribute at the present time are not covered by insurance.—A. You mean employment in work which is not covered?

Q. No, they have'nt acquired a sufficient contribution.—A. I beg your pardon.

Q. Because of intermittent employment they have not acquired sufficient credit.—A. Pardon me, I did not understand your question.

Q. The same thing applies to unemployment insurance; everybody who contributes to unemployment insurance is not automatically qualified.—A. No, he has to work up a certain number of qualifying payments.

Q. Over a period of time.—A. Yes. If I understand your question correctly you are asking, what happens to the man who does not stay in long enough to get these qualifying payments?

Q. Who cannot stay in.—A. Who hasn't been in there long enough to qualify. I think, Mr. MacInnis, such a man in our opinion would have to come under the non-contributory plan of old age pension to get any benefit.

By Mr. Shaw:

Q. Mr. Chairman, on page 4 there is a reference to industrial pension plans and there the weakness is stressed by the C.M.A. that it does not provide universal coverage and that discrimination results. Would the witness agree that in any contributory scheme it was reasonable to assume that to the extent that it did not cover all Canadians it was discriminatory, and could he tell us how you are going to overcome that discrimination with respect to those sections of the Canadian population who could not be covered?—A. There is no argument on that score.

Q. The scheme would discriminate against those persons?—A. Yes, you cannot avoid it. That is why we say our scheme—if universal coverage under our scheme is not possible at the start, we should keep on striving to get universal coverage eventually because we feel any group that is not covered by pensions is discriminated against.

Q. Would you say to that extent discrimination is more than likely to occur under any universal contributory scheme?—A. Not universal.

Q. I mean partial coverage.—A. I do not think it can be avoided. We do feel that the discrimination which now exists will be reduced under the type of plan which we advocate, provided it is given as wide a coverage at the start as unemployment insurance, and there is continually a striving towards still further expansion of the coverage. We feel at the start the discrimination which now exists will be reduced and that with each further expansion it will be further reduced. But until the coverage is universal in the full sense of the term,—and I cannot say whether that is ever possible,—there will be that segment of discrimination.

Q. It is conceivable that under the scheme proposed by you there could be greater discrimination on the person who is not covered?—A. We cannot see that.

Q. You say you cannot see that?—A. No.

Q. I say it is conceivable. Does the C.M.A. anticipate that the plan which is proposed will take the place of industrial pensions or the need or demand for them?—A. Not by any means. I hope you will excuse me. I have been making speeches on this subject and writing speeches and I get a bit confused between what I have in my brief and what I have in my speeches.

Mr. Homuth: That happens to every member of parliament.

The Witness: Thank you, sir. I was going to point out that the great majority of industries today are not able to set up sound pension plans. Some of them have set up pension plans which promise payments. But if the company ran into hard times, it might be somewhat illusory. That comes from striving to set up a pension plan which would be adequate in the minds of the employers and the employees. We feel, if the government were to set up a basic plan as we advocate, that many more industries would be able to set up supplementary plans to cover the difference between the basic government plan and what they and their employees might consider to be adequate. They could eke out the government plan without running into the impossible situation that they do today. So it would not, in our opinion, in any way prevent a further industrial plan. As a matter of fact, again referring to one of my speeches, I think it would assist in the extension of these industrial plans.

By the Chairman:

Q. I have in mind an objection to the partial coverage system. I would like to know if you agree with me on this: if you have a contribution paid by an employer and a contribution paid by an employee, can we not say that the employer will pass on the cost of his contribution in the price of the goods

that he manufactures?—A. I do not think there is any doubt that that will creep into it in many cases. There will be cases where he would.

Q. Well then, the whole of the population would, in an indirect way, be contributing towards the pension of only part of the population.—A. Yes.

Mr. SHAW: That was the discrimination I referred to earlier.

By the Chairman:

Q. And even if you obtain the best coverage possible, there will always be some poor people who won't be in a position to come under the scheme. They will not be in a position to contribute because of their very low earnings, and they will be the ones who, perhaps, in an indirect way, will be paying this increased price for consumer and capital goods which they purchase.—A. I would agree that those would be segments of the population which are not brought under the coverage of the plan by law. Let us say that for some years it is impossible to bring in the farmers.

Q. Let us say the whole field of the self-employed?—A. All right. So long as those people are not covered by this plan, there is discrimination against them. But to a lesser extent I would submit than there is discrimination today against a greater segment of the population—I mean persons on industrial plans only.

Q. I agree with you there.—A. But your further point was: because of a man's low earnings he might not get a pension. I presume you are speaking of a man employed in industry, in a manufacturing plant, let us say, who does not get a large pension because his earnings were low. That I believe rests on what might be termed the benefits formula.

As the hon. members here are aware the benefit formula in the United States plan is so worked out as to give those lower paid people a break against the higher paid people. And while we are not trying to spell out any benefit formula for the government of Canada, I am sure that if this government were considering instituting a pension plan, they would give very close attention to this question of a benefit formula. Your point, in my opinion, might be covered in there. It is not always the pension that a man gets under the United States plan which—it is not tied directly to his earnings. This benefit formula changes it around a bit.

Q. I was not thinking so much of the worker in an industry who has very low wages. I was thinking particularly of settlers with very low income. As far as the administrative aspect is concerned, they just could not pay any contribution.—A. Not even on a voluntary basis?

Q. I do not see how they could pay. They have no cash. They live on what they have on their farms and what little cash benefits they may get from the department of colonization of the provinces, or something like that. They can barely live. They just exist. You may say: well, raise their standard of living. But I am taking the facts as they are.—A. I am not an economist. But it does seem to me that these things tend to balance themselves in the long run. Let us say that the costs to all farmers of all manufactured products were increased by a certain per cent for this. Would it not be logical that in a degree of time the prices which we pay to the farmers for their products would be increased also?

Mr. HOMUTH: Ask the farmer that question.

Mr. BLAIR: That does not work out now.

By Mr. Ferrie:

Q. When we take from the government, from the employer, and from the employee, it is the consumer in the long run who has to pay for it.—A. We have said that.

By Mr. Richard (Gloucester):

Q. Whichever way you adopt, the government part, the employer part, or the employee part, in the long run you would just have whatever the employer is going to contribute added to his price, to his overhead. The workman may say that it costs him more to live. Therefore he says he has to get a higher wage. So the employer pays that higher wage and adds it on to the price of the goods that he manufactures. And when it comes to the government contributing part, the government has to levy it somewhere.—A. The great bulk rests upon the consumer so, in the long run, it is the consumer who has to pay for the most of it.

Mr. Ferrie: It is the primary producer who pays, not the consumer.

The Chairman: That is a matter of opinion. We may keep that discussion for the time when we go into camera and try to write our report.

By Mr. Brown:

Q. Do I understand that participation in such a contributory plan for industry and for the self-employed would be on a compulsory basis?—A. I do not know what the United States does with respect to the self-employed or what they propose to do. But it is certainly our thought that in industry this plan would be compulsory as is unemployment insurance, and that people who are employed all participate.

Q. Income tax is rather compulsory too.—A. It is.

Mr. Homuth: Carried!

The Chairman: Now paragraph No. 2: "All participants in the plan should contribute".

By Mr. Shaw:

Q. This is on point two. I would ask why the C. M. A. ties itself down to a two-party contribution, employer and employees? On the next page it refers to the Canadian government's presently carrying the administrative cost. Well, that is not true. The present old age pension scheme is administered by the provinces and they pay the costs. In the light of that, would you agree that the government of Canada should become a contributor under your scheme? And if not, why hold it to the two?—A. We definitely do not recommend that the Government of Canada should become a contributor under this old age pension plan except to the point of carrying the administrative cost. We tried to put this plan in our thinking on all fours in many respects with unemployment insurance where the employer and the employees contribute, and the government pays the administrative costs.

By Mr. MacInnis:

Q. Pays the administrative costs and contributes as well?—A. Contributes 20 per cent. But not to our plan, sir.

By Mr. Shaw:

Q. And why?—A. Because we feel that this plan should be made self-supporting. We come back to this question of right, so that when the man who has been covered by this plan reaches retirement age, he can receive his pension as a matter of right. The government is not giving him any money; and therefore they are not authorized to put a means test on him.

By the Chairman:

Q. There is more to it than that. There is discrimination there. There would be discrimination in that all the people of Canada would be paying out

of the general revenue for a pension as of right only to a part of the population. If they were contributing at least to the extent of the government's contribution, that would be an element of discrimination.—A. There is discrimination, then, under the unemployment insurance scheme.

Q. Well, maybe it is different there because it is something for the whole economy of Canada.

By Mr. Shaw:

Q. Does the C. M. A. actually believe that we get nothing from government as a matter of right? After paying in the neighbourhood of $2 billion odd this year for taxation, do you think we are getting police protection as a matter of right? Do you think we are getting decent highways as a matter of right when we are paying for them?—A. We get them as a matter of right, yes.

Q. But does not that rather shake your previous argument: that if this becomes a tri-partite agreement, we should receive benefits as a matter of right?—A. I do not believe the government should be saddled with any contribution towards this plan. We believe the plan can be made self-supporting, and that those who will be participating under it will be able to receive their pension with a clear conscience—if I may put it that way—other than if we had to ask the government to make a 20 to 25 per cent contribution out of taxes.

Q. Very well, I shall leave it at that, even though I do not agree.

By Mr. Fleming:

Q. In the first place, to the extent to which your contributory plan takes effect, I take it you are assuming that from that point there is a decline in the amount which the government must contribute to the present form of non-contributory old age pensions on a means test?—A. Yes.

Q. To the extent that you have your taxpayer's benefits on the one hand while, at the same time he may be contributing to another fund under which he gets a benefit as of right?—A. Yes sir. Definitely we anticipate a shrinkage in the payments under the present old age assistance scheme as this plan becomes operative.

Q. At the top of page 6 you make reference to your ideas about limiting of contributions and earnings up to a certain specified amount. You refer to the amount suggested in Bill H.R. 6000—$3,600 per annum, and you say that the Canadian limit should be proportionately lower, having regard to the difference in national income and wage levels. Would you care to enlarge on that? Within what limit do you suggest Canadian income should be taxed? You know that we have had schemes where the size of the contribution percentage covered the entire income, and others where a portion of the income is exempt. Would you comment on that?—A. Our reference was made with this thought in mind. The most recent statistics we have been able to see show that the Canadian wage levels are somewhere around 78 per cent of the American levels and the Canadian cost of living is somewhere about the same. We felt that the difference was sufficient that we should recognize it here and suggest that if the government were setting up such a plan they might take the feature into consideration. I do not think we would care to suggest the Canadian limit should be $2,000 or $2,500 or $3,000, but we do feel that we should register the fact that there is a statistical difference between Canada and the United States economy.

Q. Just for clarification, what would you do for income in excess of that particular figure? Are you proposing a ceiling and a floor on income which would be subject to levy for contribution?—A. A ceiling.

Q. Well, we have had plans for contributory systems which had floors and others where there were no floors on income to be taxed?—A. Not as regards

income which should be taxed. We feel that the total income up to X dollars should be taxed with its contributory rate of 1 per cent or $1\frac{1}{2}$ per cent, whatever is found necessary. If you are going to have a plan of relating pension benefits to the contributions made then, if you went beyond that ceiling you would be producing pensions which might be considered by many people as being exorbitant.

Q. You are prepared to face the administration problem of extending the group who would be contributing to something far beyond the present group of income tax payers?—A. Oh yes.

Q. And also there is the second aspect or problem of keeping records of individual contributions?—A. Yes, and we think there is a very good precedent in the unemployment insurance set-up. There is a ceiling there on the contributions and there is the question of the individual record of the man.

Q. Just one other question. You speak here of confining the government contribution to the payment of administration costs?—A. Yes sir.

Q. Have you given any thought to the participation of dominion and provincial governments in this contributory scheme, and if so how would you apportion the administration costs between the two governments?—A. Well, I do not think that we ever thought of the provincial government having anything to do with this. We thought of the administration being handled by the federal government as it handles the unemployment insurance set-up.

Q. The whole administrative set-up would be put on a national basis?—A. Yes sir.

Q. Have you or Mr. Macdonnell given any thought to the constitutional aspects of the problem?—A. Yes, we appreciate that this could not be enacted without the consent of the provinces and it was our understanding that this committee was gathering data with the idea that later you would try to thrash out anything that might be in the way of the plan which should be adopted.

Q. Well you are contemplating an exclusively national or dominion administrative plan?—A. Yes sir.

Q. With the dominion assuming the exclusive administration over this plan. Now what would you do with the other plan—the supplementary provision under the means test, similar I take it to the present old age pension system. How would you fit it in administratively or constitutionally?—A. Well we do not see how that can be changed very much from the present set-up of having the province determine by means test whether a man is eligible for pension or not—subject, we understand, to the overriding check of the dominion government which follows through in the course of months. We do not see how, except with a great deal of cumbersome machinery, the establishment of the means test could be shifted from the province to the federal government. We felt, as the chairman pointed out some time ago, that the federal government would be compensated, in some measure at least for its administrative expense in our plan, by a gradual reduction of its present payments to the provincial plan. We do not think the province should drop the present plan, nor that the provinces should enter into the administration of this plan. That is correct, is it not, Mr. Macdonnell?

Mr. Macdonnell: Quite so.

Mr. Fleming: It is substantially the present plan for those who are not sufficiently provided for under the contributory plan, where the dominion contributes 75 per cent and the provinces 25 per cent, with the administration in the hands of the provinces.

The Witness: Yes.

By Mr. MacInnis:

Q. On page 6 you say that you appreciate that the present method of collecting contributions and distributing benefits under the unemployment

insurance plan is fairly expensive. The administrative cost is pretty high. Would you have a similar system for these benefits running side by side—or would you integrate the two systems?—A. We took the liberty, sir, of suggesting in the second paragraph of page 6 that this thing could be integrated with some of the present social security measures and, with all due respect, we had in mind unemployment insurance when we suggested that—for the reason that the problems seem to be much the same. The question of the collection of the contribution by payroll tax, the question of the payment of the benefit, graded according to contribution, is the same. As a matter of fact, in some ways, we think the present unemployment insurance people have a worse problem than we are creating for them under this plan, in that at the moment a man contributes but if he becomes unemployed, after a period his benefits become exhausted and he is struck off. Then, if he obtains employment he may build up benefits for further unemployment and there is this shuttling back and forth. Under this old age pension plan that we suggest a man passes out of employment only once—when he retires—and it does not seem to us that it would be as difficult for the administration body to follow his wanderings as it is in the case of the unemployment insurance scheme.

Q. How can you say that when only certain employments are covered? Would you cover employment in agriculture, for instance?—A. The United States plan did not have that to start with but it is now attempting to cover all sorts of fringe employment in agriculture.

Q. Would you cover domestic service employment?—A. There again the initial experience in the United States was that they did not think they could do it, but they are now doing it.

Q. I do not know that they are doing it.—A. Well it is suggested.

Q. Unless you cover the whole population, in my opinion peple will be going in and out of insurable employment to uninsurable employment. A person working next August stooking grain in the provinces of Alberta or Saskatchewan, will be picking apples in British Columbia in November, and in December will be working in the lumber camps in British Columbia or somewhere else. The same applies to a whole variety of employment. These people will be moving in and out of covered and uncovered employment.—A. When a man comes to retirement age the first question that arises is whether over the past number of years—as decided by the provisions of the plan—he has made sufficient contributions to entitle him to pension. If he has, and he is then retired, there is no more shuttling back and forth, whereas, under unemployment insurance, there is the question of shuttling entering into it.

Q. I get your point.

By the Chairman:

Q. As far as administrative expenses are concerned I read on page 3 of your brief that one of the advantages of a contributory system is the matter of keeping down expense. Do you mean administrative expense?—A. No, sir, I admit that the wording could have been improved by saying "cutting down the total cost".

Q. You did not mean administrative costs?—A. No.

Mr. SHAW: Had that been put in there that way I might not have asked my previous question.

The WITNESS: We should be more careful with our words but we did mean total costs.

Mr. FLEMING: Which line is that, Mr. Chairman?

The CHAIRMAN: On page 3.

The WITNESS: Total cost was what we had in mind there.

By The Chairman:

Q. Do you agree that as far as administration is concerned it is a most expensive scheme?—A. Our scheme?

Q. Any scheme that relates benefits to contributions and where you must keep individual records for as long as forty-five years?—A. Well, obviously this would be more expensive than some plan which simply paid out a flat pension.

Q. I am bringing out the pros and cons because I believe that members of the committee are only trying to throw light on the problems in any system we study. You appreciate that?—A. We all agree with that but I would like to clarify the statement in this way by referring again to the suggestion that it should be integrated with an existing department. It seems to us that if it were integrated with, let us say unemployment insurance, and at the outset the same coverage was enacted as for unemployment insurance, there would be considerable simplification of what looks to us today like a great mass of records, Mr. X and Mr. Y would be covered under both plans. I would think that with the ingenuity of the officers of the government now administering unemployment insurance, if they were given the task of integrating this with the present plan, what looks to us like a terrific administrative job would turn out to be not so bad after all. I do not think they could do it with the present staff but I do not think they would have to double their staff—I think that would be a ridiculous suggestion. I think that with a relatively small increase in their staff they could integrate the two systems because the record keeping is pretty much on all fours—this would be a second cousin.

The CHAIRMAN: You could also say, if it came under our terms of reference, that it could be a starting point to an over-all social security program.

The WITNESS: Yes, if you wished to do it that way.

Mr. FLEMING: It is in here somewhere is it not?

The WITNESS: Yes.

The CHAIRMAN: That is what I say, there are pros and cons to each system.

Mr. SHAW: Mr. Chairman, one of the difficulties I can visualize is if we started with the coverage now found in the Unemployment Insurance Act; for a long time you would be increasing the cost of living of a great many people and they would be receiving no corresponding benefits as a result; today it is a bit off here and a bit off there, probably justified for some purpose or other, which is making it quite difficult for a lot of our people to make ends meet. I can think of thousands of people who would pay more and receive less in the final analysis, starting with your present coverage under unemployment insurance.

The WITNESS: Yes, but we did not see, sir, how we were going to avoid that sad state of affairs if this committee went along with almost any of the recommendations that are being put up to you to extend the present social security system. We think our scheme would be less costly than many that have been suggested, as we had the feeling that the government was seized with the necessity of some sort of expansion of our existing social security scheme, we felt we were recommending a plan which would be sensible and less costly than many which were recommended to you, and eventually, as the ingenuity of government officers spread the coverage, the discrimination you speak of would be minimized and might entirely cease to exist. I sound as if I am making a speech today.

The CHAIRMAN: I believe the members of the committee are very grateful to you for giving your views, Mr. Sheils. We are here to learn and you are a good teacher.

Mr. SHAW: I was just going to ask one other question, Mr. Chairman. They say, before the self-employed can be covered they should be assessed a contribution equal to one and a half times the 50-50 employer-employee contribution.

This has always intrigued me. Different delegations have used these percentages of one and a half or two and a half. How do you arrive at that and what relation does it bear to the benefits which the employer receives—to that one and a half per cent?

The WITNESS: The suggestion with respect to the one and a half per cent assessment in the case of the self-employed, as I am aware, was taken from certain existing plans such as the H.R. 6000 in the United States and our understanding is that it is an attempt to recognize the dual capacity of the individual in that he is an employer and an employee, and instead of saying you are definitely two persons and therefore you pay twice as much, it is an attempt to recognize this dual capacity without going the whole way.

Mr. MACINNIS: He is considered a person and a half.

The WITNESS: Yes, on the basis of the plan in the United States it should be proportionately less than if he and an employer were paying each one per cent. That is, he would get about three-quarters of the pension, but that again is a matter of the benefit formula and we are not attempting to spell that out here.

The CHAIRMAN: That comes a little later. Could we now, gentlemen, go to page 6: "the plan should be established on a modified pay-as-you-go basis." Do you mean a system like the one they have in the United States?

The WITNESS: Much as their plan has been run up to the present, yes. To avoid the contribution rate jumping too fast, to avoid too great an impact on industry at the start, and to avoid, above all, what Mr. Brown mentioned a little while ago, a terrific reserve which excites everybody and says let us get our benefits raised.

Mr. FLEMING: You want to protect the politicians against these pressures?

The WITNESS: If I may say so, that is a new role for the Canadian Manufacturers' Association.

Mr. MACINNIS: The question is, do politicians want to be safeguarded against pressures?

The CHAIRMAN: I believe that the answers of the witness give us the exact idea of what the Canadian Manufacturers' Association members have in mind since we have studied the American plan very thoroughly.

Now, "*benefits*;" should we go to the heading: "benefits" now, gentlemen? On page 7.

By Mr. Fleming:

Mr. Sheils, in (*c*) under this heading, you deal with the subject of minimum pensions. I wonder if you would be good enough to enlarge on that with reference to your—

The CHAIRMAN: That is on page 9, Mr. Fleming?

Mr. FLEMING: Yes, but I want to deal with the whole subject of benefits. That is under benefits, do you want to take (*a*), (*b*), and (*c*) separately, Mr. Chairman?

The CHAIRMAN: No, I believe we should take the whole of it.

By Mr. Fleming:

Q. I wonder if you would enlarge on this minimum pension to be provided for under the contributory scheme. Of course, I can understand in view of what you said earlier you may not be prepared at the moment to indicate an exact amount, but it would be helpful to us if you would go as far as you could in indicating what might be the minimum pensions you had in mind? In the second place, how you arrived at a figure, and what is it intended to cover? Is it intended

to be enough to keep a person alive or is it intended to be a supplement to other income, or to provide a reasonable degree of comfort in old age?—A. I would like to be understood, sir, that I am not speaking on behalf of the association on this one because we have not discussed that at the annual meeting, but in the committees which have been dealing with it we have had in mind a considerably lower amount than the present old age pension, $40 a month. We have felt that to consider $40 a month or so would probably make this thing too costly and what we have had in mind was this: suppose a man is today at age 65; supposing the retirement age under this plan were set at age 70; and when he works the remaining five years of his employment he is not able to buy a pension greater than whatever this minimum is determined on, we have thought as he has contributed something towards it that he should not be placed in exactly the position of the man who has contributed nothing, who is not under the plan at all, and that therefore he should get a certain minimum pension. Now, I might just diverge for a moment to establish what that amount should be. It seems to us to embrace considerations that are far beyond the purview of the Canadian Manufacturers' Association or any other private association in this respect. To get at what should be a reasonable amount for that minimum pension you would have to consider what his contribution rate is going to be, what is the ceiling of taxable earnings going to be, what is the pension formula going to be for spelling out his benefits, what is the total cost which the government feels it can safely carry in this respect, and again, coming back to pressures on government, what is the government prepared to take in the way of pressures and kicks from people who are under the contributory plan and therefore feel that they should be entitled to a pension as a matter of right but are kept waiting five or ten years for that pension because obviously the ceiling of taxable salary, the contribution rate, the benefit formula, all are segments; and the answer is that if the government feels it is all right for a man to take fifteen years to build up a pension under this plan, they might fix a lower contribution rate, they might on the other hand fix an expensive benefits formula, they might fix a taxable salary ceiling all of which might build up a long period of initiation. If they felt, on the other hand, that they did not want to have people in that position they might change the emphasis; the benefit formula might be more moderate, the contribution rate might be slightly higher, the taxable salary might be higher, all of which would add up to a shorter period of initiation before they came in under a pension, though those considerations are, I suggest, beyond our jurisdiction or purview, and suggest to us that we should not try to spell out the minimum pensions.

Q. So you have not attempted to work out the percentage of contributions into the fund because the two things go together?—A. Yes, sir, we thought it was beyond our purview to work that out.

Q. You would not be contemplating any change in the present provision under our old age pension plan—that is to say, taking that man whom you cited as an example, who has not been contributing into the contributory fund very long— subject to your means test, he would still quality for $40 a month, would he not?—A. Oh, yes, he would qualify for the minimum pension whatever it is here; and let us say, for the sake of argument it were $12 or $15, whatever it is, he could still go for entitlement under the old age assistance plan; it would not debar him from any entitlement he might otherwise have under that.

Q. You have not directed your thinking on this subject towards the provisions of some stated minimum that is regarded as an indispensable minimum for persons in advanced years?—A. No, sir, as I have mentioned, we have not attempted to spell that out.

By Mr. Ferrie:

Q. How do you arrive in your own mind that $40 is too much? Have you anything of a basic pension? How do you arrive at the opinion that $40 is too

much?—A. We felt it would be very expensive, sir. That is why we have not given any serious consideration to anything as high as $40 because we felt that to take the large segment of the population who would come in under this coverage plan and who might be in this position and suggest that the government pay $40 a month without any means test would mean a terrific expense which we did not think the government would be prepared to go for, and we are not prepared to recommend that.

By Hon. Mr. King (Joint Chairman):

Q. Your scheme, as I understand it, or as I see it—your suggestion now would require a supplementary pension that the government would have to provide?—A. Yes, sir. We say that this present non-contributory type of plan shall remain in existence for people who never come under the plan or people whose entitlement under the plan is so small that they cannot get by.

By Mr. Ferrie:

Q. You are satisfied with the situation as it is now, you think it is all right?—A. You mean, as to the amount?

Q. Yes.—A. No, we are not expressing any opinion on that. I am not authorized to express any opinion on that; but we are satisfied that the plan should remain in existence.

By Mr. Fleming:

Q. There is just one question I would like to ask you relating to an answer you made during that little conversation I had with Mr. MacInnis. Did you mean to convey to the committee that you thought that in the case of the average contributory plan $40 a month would be too large a benefit for a man to draw? I mean to say that I got the impression when you were referring to that amount that you had in mind the man who was near the end of his working days, approaching pensionable age, who has not had enough time under the new scheme to be entitled to the full amount and that you would give him that amount as a minimum?—A. That is exactly what I was referring to. I am suggesting that for the man under a contributory plan who has not been under it long enough fully to qualify; but I am not suggesting that that should be the limit of the pension, I am not suggesting that at all.

Q. Take a man who has been working for 25 or 30 years and has contributed during that period, there is no suggestion on your part that he should not be paid more than $40?—A. None whatever. I was speaking, when I mentioned that amount of $40—I was thinking of those who would not otherwise be qualified for that amount.

By the Chairman:

Q. Would a man's contributions qualify both himself and his wife for pension?—A. Our recommendation is that the widow of the worker or his orphans would receive a pension after his death calculated percentage-wise to the worker's pension, so that the greater the pension the worker drew the greater the benefit to his widow would be.

Q. There would not be any added benefit to the man because he is married and because he has to support a wife?—A. We did not contemplate that, but the benefit formula can be made to cover that.

Q. Well, you see, one of the reasons I asked that was that at the present time a man at age 70 would be eligible for a pension of $40 and his wife would also be eligible for a pension of $40.—A. May I develop that sir? The United States does that.

Q. Yes, that is another reason why I asked the question.—A. I am sorry I didn't quite understand you, but that is correct; the United States scheme does provide it and presumably the pension benefit formula would cover that.

Q. And you are proposing something similar to the United States plan in this?—A. No, sir. The first place where we depart substantially from the United States plan is with regard to universal pensionability and minimum pension. They don't cover that, they don't have this minimum pension for the man who is close to retirement age. They throw it entirely on the means test section.

By Mr. Ferrie:

Q. Would you recommend that a person who is making a contribution should make an extra contribution for his wife?—A. I haven't considered that, sir. I do not know whether that would be administratively feasible or not.

Q. That is one of the things that has been considered by the United States, I understand.

By Mr. Corry:

Q. Has your organization given any thought to increasing the benefits for deferred retirement?—A. Yes, you will see our reference to that on page 11, section 5.

By Mr. Shaw:

Q. Your brief states at the top of page 9—I will use the exact words—

> In the Association's view, there should be established an appropriate minimum pension payable as of right; and I will stop at that point; but perhaps I should read on:
>
> to persons in covered employment, who at the time of the setting up of the said plan, were at or beyond retirement age or were so close to it that their contributions would not be sufficient to entitle them to a pension in excess of such amount.

Then, down below that you say that one method by which this could be financed would be out of the general revenues of the government. Remember, pensioned by right. Can the witness reconcile that with his previous statement about the question of right? It does not come out of any fund built up there.—A. You will notice we are not recommending that, sir; we say that this is a question we wish to discuss at the annual meeting of the association to be held shortly. We say that there are two obvious ways in which it might be done, but we do not recommend either one.

Q. I was merely assuming that when something like that was suggested here.—A. No, we are not recommending it, but we are advancing it for consideration by our committee on pensions at the annual meeting. We just thought it suitable to put it down without making any recommendation.

Q. If it were done that way, in the light of your previous evidence this matter of right would come up for serious question—I mean on the basis of your previous evidence?—A. There is a point to be thought of there, that to a certain extent the payments of such pensions by the government itself out of normal revenues would reduce the allocations of the government at the present time under old age assistance, 75 per cent of which is paid by the provinces. There is another thing we can put there, that if these minimum pensions were paid out of ordinary revenues of the government those revenues could be reimbursed to a certain extent through a sliding scale by recovery to the normal revenues out of this pension fund of the contributions which these men were able to make and some of them might be almost enough to buy the minimum

pension; so that the government in those circumstances would not have a complete outlay, it could be recoverable in part, and a quite substantial part in some cases; so that the matter really verges very closely on the matter of right even there. Suppose it took 20 years during which a man would make contributions to be qualified for a pension as of right and thereby establish his entitlement to a pension in excess of this minimum suggested and that the man had worked 19½ years; he is awfully close to being able to get that pension as of right.

Q. At the same time you have today a number of people who could not qualify for the old age pension and who at the same time are not able to enter the labour market, quite a number of persons.—A. Yes.

Mr. Fleming: Might I ask one other question about that minimum pension? As I understand the brief, even where the minimum pension was earned it would, to a considerable extent be confined to the transitional period until the entitlement of the contributor?

The Witness: Yes, it would be confined entirely to such transitional period, the length of the transitional period depending on the situation of employment and so on.

The Chairman: Well, it is 5:30, shall we move on to section 9, age?

By Mr. Fleming:

Q. You suggest that the age qualifications might be well above 65. Do you mean by that that it might be set above 70?—A. We don't go beyond that, sir, 70 has always been regarded as basic.

Q. Then what you had in mind was somewhere between age 65 and age 70. —A. Yes. That is a question again which, perhaps, we should consider at our general meeting, and there will no doubt be considerable discussion about it.

Q. We can take it then, at any rate, that would be relatively between 65 and 70 and you have suggested two degrees, a maximum and a minimum.—A. Yes. Definitely we realize that age 65 is a floor. We do not go along with anybody who suggests that retirement should be below age 65, and we think that with improvement in working conditions, with the shorter work week and the shorter work day and the increasing health of people due to the strides being made in medicine, that age 70 isn't very far out.

Q. Would you recognize a differential in favour of women?—A. We have not discussed that.

Mr. Macdonnell: I think the general feeling of the committee would be in favour of a merging with women, but, as Mr. Sheils says, we have not come to any definite conclusion on it.

By Mr. Fleming:

Q. If there is to be a differential, it would be because of the establishment of 65, which is the lower half of your bracket, as the age for women?—A. Something like that. Many private plans show 65 and 60. Many private plans today show a spread of 65 for men and 60 for women. But some of the most important plans put women on the same retirement age as men. Only a few days ago we learned of a large company which has had a pension plan in existence for 15 to 50 years, and which has changed its women's age to 65, the same as for men.

Q. What about the place of women in your whole scheme?—A. If they are working and contributing, they might be covered.

Q. I am asking about women if they are simply employed in the home.—A. I think the chairman covered that point a moment ago when he asked if the benefit formula would take into consideration that men had carried the pension formula.

Q. Our discussion before was on this point: does the wife under such a scheme obtain her entitlement through her husband, or has she a status under the fund on her own behalf?—A. My understanding was: as long as her husband lived, she obtained her money through his drawing a higher pension; and then if he died, she became a pensioner as a matter of right as his widow.

The CHAIRMAN: As a matter of fact, of the total payment of benefits in 1948-49 in the United States, $336 million were for primary benefits, and wife's benefits amounted to $53·8 million.

Mr. FLEMING: Do you mean 53·8 per cent?

The CHAIRMAN: No. $53·8 million. 55 per cent of the total, was paid in primary benefits and the wife's benefits were 9 per cent of the total; and 9 per cent of the total expenditure was for widows of deceased contributors who would have been entitled to benefits.

By Mr. Ferrie:

Q. Would you recommend to this committee, bearing in mind all the systems you have recommended, that the age limit for women be lowered to 60?—A. You mean on the non-contributory plan?

Q. On the non-contributory or the contributory plan?—A. We have not given any thought in the C.M.A., to my knowledge, to making any recommendation regarding the age of the non-contributory plan. But on the contributory plan our recommendation was that the basic age limit be set higher than 65. However, I am not prepared to say that the C.M.A. would say there should be maintained a spread between men and women and that if a man goes up to 70, the woman should not go beyond 65.

Q. If the two remain at 65 or 70, would you recommend that they both have the same pension? Let us say that it is $40 a month, would you recommend that $80 be paid to a wife and husband?—A. May I ask if you are talking about a contributory plan?

Q. Either one; it does not make any difference.—A. We are not making any recommendation; nor am I authorized to make any recommendation here verbally with respect to changes in the means test other than, with respect to the non-contributory plan, our recommendation is that that plan should be continued. We do not try to spell out features of it, except to say that if any serious consideration is given to lowering the age for the present means test plan, and if the government has in the meantime put in this contributory plan, certainly the age limit of the non-contributory plan should not, in any circumstances, be lowered below the age limit of the contributory plan because that would create a very discriminatory state of affairs. And to go on from that.

Q. As industry carries on in the way it does, and as they do not want to give work to people who are over 65 years of age, whom do you think should take care of those people? What form of thing should be set up, or what should be set up to take care of those people who cannot work?

The CHAIRMAN: Who cannot work because of what?

Mr. FERRIE: Because of age. Nobody will take them on. I refer to people between 60 and 65 years of age. Mr. Sheils' organization does not want to hire people over 60. That is what I find. So, in the case of anybody over 60, who is going to take care of those people? Who is going to provide for them? Who do you think should provide for them?—A. It seems to us that most people fall into two classes. Take those, let us say, who are covered, if this plan is enacted. They drift out of covered employment and then drift back in again; and if at the age of 65 or so they become permanently unemployed, we think they should be covered under this contributory plan. But for a man who has not at any time been in covered employment, or who was

not in long enough to build up entitlements, we advocate that the present system of non-contributory means test plan be there in the background to take care of him.

Q. That is perfectly true. But there is an age limit. Take, for instance, the railroad man. Very well, he is discharged at 65 years of age. He has done nothing but take the basic pension. He has not contributed to a system at all. Now, he has got $25 a month. He has no chance of earning any other money because nobody wants him. So, who is going to take care of that man? Who do you say should do so, in a situation like that?—A. I do not know. Do you?

Mr. MACDONNELL: You may be interested to hear that recent meetings were held with a number of organizations to discuss the question of the older workers. The question was put whether these firms had a definite retirement age? And practically without exception the answer was no. They had no definite retirement age. The almost invariable practice was to keep men on past 65 or past 70. There were cases of skilled men kept in employment up to 75. The problem of the man who is out of work, of course, is a very real one; I mean men of 60 or 65 who are out of work and who are looking for employment. It is quite true that they will find difficulty. But I think it is not fully realized the extent to which—particularly in modern times when people live longer due to better medical care and so on—I do not think it is fully realized the extent to which older people are kept on in employment right up to the age of 70, and even afterwards.

Mr. BROWN: How about a person who is physically incapacitated at the age of 65?

Mr. MACDONNELL: That is another matter.

The CHAIRMAN: That is a different problem.

Mr. BROWN: What are you going to do with him? He is not an invalid; he just is not able to work? How do you think the picture would be changed if we ran into a period when we had a great number of unemployed, and they were trying to seek employment again? Do you not think it would be more difficult for them to find employment under those circumstances than if they remained in employment where they already were?

Mr. MACDONNELL: Yes.

Mr. FERRIE: One of the biggest organizations says that a man cannot work after the age of 65. Yet in this brief you say that an individual must be over that age before he can get anything.

The CHAIRMAN: I believe you already have had an answer from Mr. Macdonnell. He said exactly the contrary to what you refer to. He said that in industry they are keeping on people of 65 years of age now, and that we may expect as the years go on it will be even better that it is now. That was his answer. Was it not, Mr. Macdonnell?

Mr. BROWN: But he says that he knows of an industry wherein at the age of 65 they have to be retired.

Mr. FERRIE: That is right, the biggest industry of all, the railroads. They say these people shall have a basic pension of $25 a month. Is not the result that these people are coming back on local self-governments to be taken care of? Yet right here in this brief you say—and the words are plain enough—

Mr. BROWN: On what page?

Mr. FERRIE: On page 9:

> . . . . . old age pension plans should be well above sixty-five.

The CHAIRMAN: If you will look at the bottom of page 10 you will see:

> On the other hand, the Association realizes that the great majority of the industrial pension plans which are presently in operation in industry, commerce and finance, specify a retirement age of sixty-five for men and sometimes as low as sixty for women. If the retirement age fixed under a national insurance plan were higher than sixty-five, the problem would be created for employers of working out with their employees arrangements for bridging the gap between the two ages.

And as a practical example I will give you the railway employees you are talking about. On the train from Quebec yesterday I was talking to the waiter. I asked him as a matter of interest, because I was seeking information: "How old are you?" And he said: "58." "When are you going to retire?" He said: "There is compulsory retirement at the age of 65." "How much are you going to get in the way of a pension?" "$27.50 a month". "How are you going to live on that?" "I do not know, unless you people—" and he was referring to what we are doing here—"do something about it." So I asked him: "Suppose the committee considers that the cost of a universal program down to the age of 65 is too high for the taxpayers to absorb, could you not arrange with your company—could not the workers of your company arrange with your company—suppose our age is 70 under the national scheme—to pay higher benefits for the first five years, and thus you would be able to carry on. And after that you would get your national pension even if you have before the age of 70, received the whole of your total possible pension under the railway company pension plan? I believe that is the answer to the question.

Mr. FLEMING: There is another answer.

The CHAIRMAN: That was the one I thought of.

Mr. FLEMING: There is another answer. There is nothing to prevent the railway brotherhoods from negotiating changes in the present contracts—changes which will provide for a higher retirement age if that is agreed upon. My information is that it would be mutually agreeable because there has been a strong feeling on the part of employer organizations about this 65 retirement age.

Mr. FERRIE: And the non-contributory set-up, too.

Mr. FLEMING: It is one of the things you have got to take into account here.

The WITNESS: I just want to add to what the chairman said that the very thing which he suggests is now being done. Certain United States companies have pension plans which specify retirement of women at 60. A woman is not entitled, under O.A.S.I., to get her pension until she is 65. The company pays her a larger proportion of her total pension benefit in that five years until she becomes entitled to the government pension. From then on they pay her a proportionately reduced amount. That is their way of bridging the gap to which I referred here.

By Mr. MacInnis:

Q. I was going to ask Mr. Sheils whether in his opinion it is going to become easier or more difficult for persons after they have reached the age of 45, if they lose employment, to find further employment?—A. Well, sir, you have me in a spot here where I find it very difficult to resist making a speech. Perhaps some of the honourable gentlemen here know how I am feeling. Presently I am chairman of a committee of the Canadian Legion to encourage the employment of veterans beyond the age of 60 and, from the reception that we are getting, I am encouraged to feel that employers are beginning to realize

that there are definite benefits through employment of people in the older age groups—from the point of view of steadiness, fewer accidents, less likelihood of absenteeism, as compared with younger groups. Some of what I am saying to you is taken from my Legion campaign but I must say that we are getting very nice reception to that argument and we think there is something to it. It encourages me to feel that employers are beginning to realize there is something to hiring older workers.

Q. Well, the fact that there is a committee, that has as its purpose to get employers to engage persons over the age of 45 or 50, would indicate that there was a difficulty for those persons to get employment. Is that not so?—A. I speak of people over 50—not over 45. Our problem seems to resolve itself largely into the over-50 group.

Q. Well, there is a problem there.—A. As you will appreciate most of these over-50 men are veterans of two wars and two wars take a bit out of you. These fellows may not be just as hot, and not quite as quick on the trigger as some fellows who have not been through two wars and who are aged 50. We think there is a little extra something there and we are bringing these people to the attention of employers. At the same time, we are saying to employers that these men have a steadiness and a sense of responsibility that you might not get in a fellow who had not been through two wars.

Q. That is not on a purely economic basis—there is a certain amount of sympathetic consideration— —A. Not entirely sympathetic, if I may interrupt.

Q. I did not say entirely sympathetic, I said a certain amount, but, the general run of persons over 50 would not be veterans of either one or two wars and those are the people whom we would have to be most concerned about?—A. Well, I do not know about the 45 to 50 group and I can only say that the response we are getting when we talk about people over 50 is quite encouraging.

Mr. Shaw: I was going to ask Mr. Sheils one question. To what extent are industrial pensions, where they are of a contributory nature, having their effect on this problem. If a company has a contributory pension scheme is it not more likely to take in young fellows who will contribute for forty years rather than men of 50 who will contribute for only 15 years. What effect is there, in your experience?

The Witness: It creates a paper barrier, there is no doubt about that. In some cases that barrier is increased by the attitude of the union in the plant; they do not want to see these older workers brought in. It may also be tied up with the question of a pension plan. There are intangible barriers—barriers is a bad word—intangible obstacles—which I suggest exist even though there is no industrial pension plan. The employer does not like to hire a man who is we will say 50, and have him work for ten years and then lay the man off. The employer does not like to feel responsibility if the man is in straitened circumstances. He may feel that it may be a reflection on the company that the man is in poor circumstances. That intangible barrier is there whether a pension plan exists or not. I agree that a pension in some cases constitutes a little additional barrier.

We think that the barrier would be considerably reduced by the institution of this basic national plan because, if the basic national plan were paying a man a pension, and he carried his right with him from plant to plant, then any barrier which does exist on the individual pension plan is considerably reduced. I hope I have made myself clear.

The Chairman: Yes, you have.

Mr. Fleming: I have only one question on section 5, at the bottom of page 12.

The CHAIRMAN: Before we get there I wanted to give Mr. Corry a chance.

Mr. CORRY: I think my question has been pretty well covered.

By Mr. Shaw:

Q. While I agree fully with the sentiment expressed at the bottom of page 11—I think it is a most desirable objective—but is not that nullified at the bottom of page 12 to a degree. You have imposed a means test, under certain conditions, in that section. I do not like that in the first place, and, in the second place, are you not discouraging the man who has retired on pension from engaging in production?—A. It must be the failure of our language to be clear because we do not intend that. When a man reaches retirement at whatever age is set, if the employer and employee are both willing for the man to continue in work we think that he should be encouraged to continue work in that very company, continuing his contributions, and increasing his pension benefit when he does retire because of the additional contributions he has made during four or five years, and because of his shorter life expectancy. The man has extra years of happy employment and I think anyone agrees that a man is happier working than on pension.

Q. Yes?—A. On page 12 we are talking of the people who have retired. They have perhaps had this four or five years extra employment and they have retired. They do not want to work with that company any more. We suggest that they should be allowed occasional or part-time employment but that no contribution should be required from them and that their allowable earnings should be greater than at present.

Q. It is still a means test. My argument is that if I work for your company and I am insured and I pay my contributions until I reach retirement age, I have bought that protection and I am quitting you. You are suggesting here that the government should follow the man, watch his earnings, and reduce his pension if he earns more than a certain amount.

The WITNESS: I am afraid that is again because of poor language. That is not what we intended. My understanding of that paragraph is that it does not refer to a man who has been in covered employment—it is a fellow who has not been in any covered employment.

Mr. SHAW: It says: "In the case of persons who have retired and are in receipt of pensions, there should be provisions for encouraging them to contribute to the production of the country by accepting occasional or part-time employment. To this end no contribution should be required from them in respect of such work and their pension should not be reduced unless the earnings received for such work exceed a specified amount—"

The CHAIRMAN: "—which should be higher."

Mr. SHAW: But I am saying that you are telling me that if I leave insured employment on retirement and if I go out to another job and earn more than a specific amount you are going to cut my pension.

The CHAIRMAN: You have retired?

Mr. SHAW: Yes, I have retired.

The CHAIRMAN: But you are still working, you say, and that is where I do not follow you.

Mr. SHAW: I have retired from the insured employment in which I have been engaged over the years—employment which along with my payments, has qualified me for pension at 65 or whatever the age is. Two years later, I decide to go and work for my neighbour fixing up his grounds. If he pays me more than a specific amount my pension is going to be cut. That is what it says here.

The WITNESS: I think you have a point there, sir, and I would be very glad to bring that to the attention of the annual meeting of the C.M.A. I think, speaking as an individual, you definitely have a point there.

Mr. MACDONNELL: That, as I remember it, was put in because of an extraordinary case in the United States where a man retired on pension and went out and got a salary of $25,000 a year in other employment.

Mr. SHAW: That is apt to happen only very rarely. Still I argue that if I pay a pension and reach retirement age no one should come along and try to cut that pension.

The WITNESS: I will be very glad to bring that to the attention of the Canadian Manufacturers' Association.

By Mr. Fleming:

Q. The final paragraph on page 12 is just a question of clarification. I understand, Mr. Sheils, in the matter of those who are not strictly speaking included within the old age assistance group—we will take the case of those who, by reason of a crippling disease or other form of invalidity, are not able to work and yet do not qualify—you do not make any place for them in the national contributory scheme but you do recommend that they should be included within the scope of the present old age pension program.—A. Yes.

Q. In other words, that scheme should be enlarged to provide for persons who have not reached the pensionable age but who are prevented by say crippling sickness from being employed, subject, of course, to the means test?—A. We have not made any recommendation nor am I authorized to make any recommendation to extend the present old age means test plan to take in people who are not in now; but even if our plan is implemented there are people who cannot come under it. I am not suggesting an extension of the coverage at the present time.

Mr. FLEMING: We had that other sentence which rather suggested that you might have something like that in mind.

The CHAIRMAN: Well, gentlemen, it is 6 o'clock.

Now, Mr. Sheils and Mr. Macdonnell, I am sure the members of the committee will join with me in thanking you for the very useful and complete presentation which you have made and that it will assist us materially in our deliberations.

The WITNESS: Mr. Chairman, may I say how very appreciative Mr. Macdonnell and I are of your very kind words, and also that we are particularly appreciative of the very courteous treatment which we have received at the hands of the committee. It is what we expected we would receive and we certainly did. I would just like to add, sir, that following our annual general meeting we will let you have a reply as to the points raised at this meeting this afternoon. We will see that the matter is brought to the attention of our membership and if there is any further recommendation we can make we should be glad to put it before you. We should be only too pleased to do anything we can to assist you in your study of this very great problem. On some points it may be desirable to circulate a questionnaire among our membership. We will be glad to do that, and I can assure you that you will at all times have our fullest co-operation.

The CHAIRMAN: Thank you very much.

The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

TUESDAY, MAY 16, 1950

WITNESSES:

Mr. Gordon G. Cushing, General Secretary-Treasurer, The Trades and Labour Congress of Canada, Ottawa, Ont.

Mr. Leslie E. Wismer, M.P.P., Director of Public Relations and Research, The Trades and Labour Congress of Canada, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

Tuesday, May 16, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4:00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Doone, Fallis, Farquhar, Ferland, Hurtubise.

House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brown *(Essex West)*, Cannon, Corry, Cote *(Verdun-La Salle)*, Ferrie, Knowles, Laing, MacInnis, Richard *(Gloucester)*, Shaw, Smith *(Queens-Shelburne)*, Weaver, Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare; Mr. Gordon G. Cushing, General Secretary-Treasurer, and Mr. Leslie E. Wismer, M.P.P., Director of Public Relations and Research, The Trades and Labour Congress of Canada.

The Chairman presented the Fifth Report of the Steering Committee. *(See this day's Minutes of Evidence.)*

The said Report was adopted.

Mr. Cushing presented a brief on behalf of The Trades and Labour Congress of Canada.

The brief was taken as read and, by order of the Committee, appears in this day's Minutes of Evidence.

Messrs. Cushing and Wismer were examined.

At 6:05 p.m., witnesses retired and the Committee adjourned until Wednesday, May 17 at 4:00 p.m.

R. ARSENAULT,
Clerk of the Committee.

62555—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
TUESDAY, May 16, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Order. Senator King, Senator Fallis and gentlemen, before hearing the representatives of the Trades and Labour Congress who are here this afternoon and who are Mr. Gordon G. Cushing, General Secretary-Treasurer of the Trade and Labour Congress of Canada, and Mr. Leslie E. Wismer, M.P.P., Public Relations and Research Director, I am going to ask your permission to make the report of the steering committee meeting of last night.

"Your steering committee met last evening and begs to report as follows:

The agenda for the present week, as already agreed upon, will stand with the exception of Friday, May 19, namely:

Today, May 16—The Trades and Labour Congress of Canada;

Wednesday, May 17—The Canadian Welfare Council;

Thursday, May 18—The Canadian Life Insurance Officers Association.

With regard to Friday, May 19, the Dominion Joint Legislative Committee, Railway Transportation Brotherhoods, have been advised some time ago that they could be heard on that day, provided they submitted a brief by May 15. Their reply states that they are not in a position to submit a brief at present, and also indicates that they are far from pressing the point that they should be heard.

Regarding the agenda for the week beginning on Monday, May 22, it is suggested that on Tuesday, May 23, the committee hear representatives of 'L'Union Catholique des Cultivateurs' (Catholic Union of Farmers). The committee will recall that a motion that this association be heard was passed on May 11.

The committee also recommends that evidence be secured from persons other than departmental officials who have specialized in the study of the problems being considered by the committee. In this regard, the following persons are suggested:

Dr. Charlotte Whitton, Ottawa.

Dr. Leonard Marsh, Professor of Social Work, University of British Columbia.

Dr. H. M. Cassidy, Director, School of Social Work, University of Toronto, Friday, May 26.

Mr. Maurice Lamontagne, Professor of Social and Economic Sciences, Laval University, Thursday, May 25.

Mr. W. M. Anderson, General Manager, North American Life Assurance Company, Toronto, Friday morning.

These persons could be heard in the order which may be arranged by the chairman, on Friday of this week, Monday next, May 22, Wednesday, May 24, and following days."

Dr. DAVIDSON: Mr. Chairman, may I make a report in that connection?

The CHAIRMAN: Dr. Davidson the Deputy-Minister of the Department of Welfare was supposed to call these people up to find out on what dates they could appear.

Dr. DAVIDSON: Mr. Anderson has agreed to appear before the committee on Friday morning of this week, and he is arranging to have sent to us in tonight's mail seventy-five copies of a memorandum which he is preparing in another connection but which will serve for our purposes.

Dr. Leonard Marsh—I was in touch with him by telephone this morning—indicates that it is practically impossible for him to get away from his duties in Vancouver to appear before the committee, but he said he would endeavour to prepare a memorandum indicating the extent to which he would still stand by the old age security proposals contained in the report of 1943, and he will submit that to the committee.

Dr. Charlotte Whitton is out of town on a speaking tour in the United States and will be for the next two weeks, but I am going to send her a wire. I am not too hopeful that we shall be able to arrange for her appearance before the end of next week.

Mr. Lamontagne agreed to appear before the committee on Thursday morning, May 25, and will have a memorandum available for distribution before that date.

Dr. Cassidy has agreed to appear before the commitee on Friday, May 26; and in that connection he has asked whether it will be satisfactory to the committee to have a chapter taken from the report which he prepared for the minister in 1947 and have it mimeographed, and speak to that as the basis of his presentation.

The CHAIRMAN: Will that be agreeable to the members of the committee?

Agreed.

We shall wait for an answer from Dr. Charlotte Whitton.

Now, I shall continue with the report of the steering committee:

> Your steering committee recommends that this conclude our public hearings.
>
> On May 29 we could obtain all information required by members of the committee from officials of the departments of Welfare, Justice and Finance.

We could spend the whole week in that way if necessary, and then the suggestion is that we close the doors for consideration of the report in the first days of June. I shall continue with the report:

> Further consideration was given to representations made by the following associations of the blind, viz.:
>
> (*a*) Canadian Federation of the Blind;
>
> (*b*) Canadian Council of the Blind;
>
> (*c*) Canadian National Institute for the Blind.

In the opinion of your committee these representations are not within the scope of our terms of reference and it is recommended that these associations be not heard but that their representations be incorporated with those now in the hands of the members of the committee under the title "Other Briefs", to be printed at a later date.

It is also recommended that a brief received from the Montreal Council of Social Agencies be printed with "Other Briefs" and that no oral representations be heard in relation thereto, since it is not a national organization.

Questionnaires which were invited some time ago from all members of the committee have been received thus far from four members only:

Mr. Knowles, Mr. Fleming, Mr. Ferrie, and The Chairman who represents the Commons on the committee.

These questionnaires have been referred to Dr. Davidson, Mr. Mitchell Sharpe, of the Department of Finance, and a representative of the Department of Justice.

All of which is respectfully submitted.

Now, our guests today are Mr. Cushing and Mr. Wismer of the Trades and Labor Congress. Gentlemen, you may rest assured that the members of the committee appreciate the fact that you have sent in a brief on which you have no doubt worked hard, and you are ready to co-operate with us in trying to find a solution to the difficult problem of old age security.

Mr. Cushing is going to be our witness and Mr. Wismer, who is the specialist in taxation for the Congress will assist him.

SUBMISSION TO THE JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON OLD AGE SECURITY

The Trades and Labor Congress of Canada appreciates this opportunity of presenting to your Committee its views on Old Age Security, the extent to which such security should be provided to our older citizens, the conditions under which such security should be made available, and the methods by which the necessary revenues should be raised.

While your Committee's terms of reference limit consideration to Old Age Security, we would like to recall that our membership and affiliated organizations have for many years believed that social security involves much more than old age security, and this Congress continues to hope the Parliament of Canada will adopt legislation at this session which will provide for a comprehensive scheme of full social security for all Canadians.

In our memorandum to the Government of Canada presented on March 9th of this year, we said:

> We urge your government to enact at this session of Parliament an all-embracing Social Security Act which would provide for all citizens of Canada, regardless of income, on a contributory basis, the following:
>
> Health Insurance—a comprehensive National Health Insurance Act embodying accident and hospitalization benefits as well as medical, surgical and dental services;
>
> Old Age Pensions—we recommend 1) that the means test be abolished, 2) that all old age and blind pensions become the sole responsibility of the Federal Government, 3) that the monthly pension payment be increased to $60, and 4) that the pensionable age be reduced for men to 65 and for women to 60 years;
>
> Mothers' and Widows' Allowances—a national social security scheme should include mothers' and widows' allowances;
>
> Unemployment Insurance—unemployment insurance should be integrated into a scheme of complete social security.

We would remind your Committee that this opinion on social security and the minimum scope of a nation-wide comprehensive scheme covering all of our people is not of recent origin. Working people have been thinking in these terms for at least half a century, and those demands have been placed before the Government and Parliament of Canada throughout the years by this Congress. The first result of such representations was the discussion of a motion concerning old age pensions in the House of Commons in 1906.

During World War I, working people and this Congress continued to seek security on a national basis. A resolution passed in the convention of the Congress in 1916 resulted in the appointment of the Royal Commission on Industrial Relations in 1919. This Commission made its report on June 28th, 1919, and its first recommendation was:

> We recommend to your Government the question of making some provision by a system of State Social Insurance for those who through no

> fault of their own are unable to work, whether the inability arises from lack of opportunity, sickness, invalidity or old age.

In 1926 the House of Commons passed the first legislation providing for old age pensions, but the Senate rejected it. A year later, 1927, the present Old Age Pensions Act came into force, and, through the action of British Columbia in passing the necessary enabling legislation, became effective in that year.

But that was only one of the proposals contained in the Royal Commission recommendation of 1919. The Unemployment Insurance Act was not passed until 1940, previous attempts having proved abortive.

The recommendation concerning the establishment of a national health services scheme has received attention, some glowing promises have been made around election time, but it still awaits positive action.

In the meantime, in certain Provinces, the demand for public health and hospitalization schemes has been met. In other parts of the country private schemes are in operation providing for prepaid hospitalization and health services.

In the same period the old age pension has not been available to all of our elderly citizens because of the means test, and private pension plans have developed. This Congress is concerned about private pension plans for a number of reasons. In our Memorandum to the Government of Canada this year, referred to above, we said:

> The growth of private pension plans has provided some protection for those able to benefit directly from them. However, they have created great difficulties. These plans have tended to immobilize the labour force and to reduce the freedom of economic movement of the individual. They have created the condition in which old age can now begin at forty years.

The point we wish to emphasize is that, where private pension plans are in effect, the hiring policy must be geared to the scheme. The financial soundness of such schemes depend upon young people being employed and the preference is thus for those in their twenties and thirties. Regardless of the training, skill or experience of an applicant of forty or over his chances of being hired are very small because he doesn't fit into the pension scheme.

There is this further consideration. Many thousands of our people engaged in seasonal employment cannot hope to be covered by private pension schemes. We refer to such large and important groups as the construction and logging industries. To this may be added the thousands who work for less profitable or marginal undertakings in which the establishment of private pension plans is very unlikely.

In our opinion, an Old Age Pension should be provided to which contributions can be made to insure comfort and security from age 65, and these pensions paid to all persons without any means test. Then employment can be based on skill and ability, and not, as is the case so often now, on how the person may fit into the pension scheme.

There have been indications recently which suggest that the Government of Canada is still in favour of private pension plans in spite of the difficulties these create and foster. In this connection we would like to stress to your Committee the inequity involved in privately financed pension plans. Where these are established in industrial and commercial undertakings it must be accepted as true that the total cost of the pensions is met through the selling price of the goods produced or distributed. The buying public pays for these pensions without sharing in them.

It is the desire of this Congress and the organizations affiliated to it that old age pensions be made available to all Canadian citizens as of right at 65 years of age. We would prefer to have those pensions paid to every person on reaching that age regardless of their social or economic position. The only restriction we would suggest is that of residence in Canada. In this connection we believe the present requirement is too high and suggest that fifteen years' residence would be adequate.

We realize that all of our resources cannot be placed at the service of one group in the country. Social welfare requirements are on the increase as our economy is transformed from one in which agrarian pursuits rank very high to one in which industrial activity accounts for the bulk of our people's livelihood. However, we recommend that the monthly payment of old age pensions to all citizens of 65 and over be set at the highest possible rate, and, in our opinion, this should now be $60.

There are at least two very valid reasons for setting the old age pension at this level immediately. The cost of living is at an all-time high and less than $60 a month will not keep a person of 65 or over in average circumstances, in a state of health and decency. The pension rate should be set high enough to preclude the need for privately financed pension plans for our working population.

A comprehensive social security scheme, in our opinion, should be financed on a contributory basis. Unemployment Insurance is handled in this way. Old Age Pensions have not been. We would like to see a change in this regard. Actually we would prefer to see Old Age Pensions, Unemployment Insurance, Mothers' Allowances and National Health Services all financed through contributions rather than indirect taxation.

This, of course, raises substantial administrative problems. Nothing would seem less wise than to consume revenues in administrative costs which could have been paid out in the penions themselves. However, we still believe that Old Age Pensions along with other parts of a social security scheme should and can be financed through contributions without adding in any substantial way to administrative costs.

We suggest that Old Age Pensions be financed through an assessment on personal incomes. In qualifying this suggestion, the following figures should be considered:

In its Labour Force Bulletin, No. 13, the Dominion Bureau of Statistics reports the total of persons of 65 and over in the Labour Force, as of October, 1949, at 243,000; and those of the same ages Not in the Labour Force at the same date at 763,000, making a total for Canada eligible for Old Age Pensions as of that date on the basis of our proposals of 1,006,000.

In Table 3 at page eight of "Budget Papers" appended to *Hansard* of March 28, 1950, the figures for Personal Income in Canada in 1949 are given as $12,495,000,000.

Pensions paid at $60 a month to all persons of 65 years and over without a means test excepting a residence rule would cost approximately $720,000,000 a year. (1949 figures above).

Before assessing this cost against personal income, it would be necessary to remove certain incomes from the total shown above. These deductions in our opinion, would amount to approximately $2.500,000,000 leaving a national total of assessable personal incomes for the purpose of Old Age Pensions of $10,000,000,000 in 1949.

A six per cent Social Security Contribution on this total would provide a revenue of $600,000,000.

Against the balance of $120.000,000 should be set the current expenditure by federal and provincial administrations combined amounting to more than $120,000.000. This money being raised from general taxation would provide for some participation in the contribution to Old Age Pensions by those whose incomes are too small to justify a direct levy upon them.

These calculations have not taken into account one difficulty which may, though not necessarily, arise in the future. The payments are to be made on a relatively fixed basis. The contributions, however, are to be collected from a relatively changing base. To provide against some of the discrepancies it might be well to set aside in each year a small sum, say, equal to one or two per cent of the total pension payments, as a cushion. This fund and the whole procedure

should be reviewed by Parliament every ten years, and necessary adjustments made in the light of experience.

These suggestions concerning the financing of Old Age Pensions for all at 65 would, in the opinion of this Congress, be much more appropriate if they were part of a comprehensive social security scheme including National Health Services, Unemployment Insurance and protection against other causes of loss of livelihood when these are beyond the individual's control. We would have preferred to have had the opportunity of suggesting to your Committee a lump sum Social Security Contribution expressed and collected as a percentage of National Personal Incomes to cover approximately 80 per cent of a comprehensive social security scheme, the balance to be paid out of the general revenues in order to reach the people whose incomes are too small to justify direct contributions of this kind and who earn too little to pay for food, clothing and shelter and at the same time save or provide for doctor's and hospital bills.

Regardless of what is done about the rate of pension or the age at which it is granted to our people, we specifically recommend that the administration and total cost of Old Age Pensions be placed in the hands of the Government of Canada. We do not believe that the Provinces should be called upon to administer and pay a portion of pensions, but we see, on the other hand, no reason why such a transfer of obligations should preclude the continuation of supplementary benefits to pensioners as are now being paid in such Provinces as British Columbia, Alberta and Saskatchewan, if the people of such Provinces desire that such benefits be continued.

We would further recommend that the provisions for pensions to the blind be changed to make these unfortunate persons eligible for pensions at 18 instead of the present 21 years. Increases in pensions to the aged should be granted to the blind.

Pending, and after, the establishment of a National Health Services scheme, we suggest that all recipients of Old Age and Blind Pensions and their dependents be provided with free medical, dental, surgical, optical and hospital care. In our opinion, free medical services should include treatment of the mentally ill.

Provision should also be made in the Old Age Pensions Act for the totally disabled. Pensions should be made available to these persons on essentially the same basis as they are to the Blind.

The foregoing has been concerned mainly with only the financial considerations involved in Old Age Security. In our opinion, other sides of the problem should be considered when fundamental changes are to be made in our national approach to this whole matter.

One of these matters is housing. Under present circumstances throughout Canada, and, in particular, in the industrialized urban areas, the extra room necessary for an aging member of the family is just not available. The Homes for the Aged that have been provided in many localities are not satisfactory substitutes for shelter within the home and family circle. A new approach to this matter is necessary, and thought should be given to the provision of living quarters in new home development projects for the aged in which they could live close to their families and relatives, and, in the case of couples, together in natural family surroundings. In the greater proportion, such living quarters would have to be made available on a low rental basis. In the older and built-up areas, thought should be given to the provision of similar housing accommodation for those on Old Age Pensions who require it.

All of the suggestions and recommendations made in this submission to your Committee are made with the view that anything done now or in the future in regard to the improvement of security for our aged citizens should be capable of easy integration into a scheme of comprehensive social security for all of our people of all ages. We recognize that such a scheme to be practical

and financially sound requires a sound and flourishing economy to support it. This means that at all times our fundamental economic security of full employment must be maintained permanently. And this we assume to be a necessary principle and safeguard to our modern democratic way of life in this country.

With conditions of full employment, which can be maintained in the interest of all of our people, a comprehensive scheme of social security, including Old Age Security, amounts to no more than an annual redistribution of the National Income in such a way that a thriving country, capable of providing a high living standard for its population, shall at no time number among its citizens persons who, through no fault of their own, find themselves without financial means to purchase their own food, clothing, shelter, and a share of the good things of life. We believe that the Parliament of Canada should pass the necessary legislation providing for such a comprehensive scheme of social security immediately. At the same time we recommend to your Committee that Old Age Security be provided on a broad basis, and, in particular, that Old Age Pensions be made available at once to all persons of 65 and over regardless of their social or economic status, subject only to a residence rule, at the rate of $60 per month.

In conclusion, we earnestly hope that the investigations of your Committee will lead to recommendations to the Parliament of Canada similar to those we have made, and that Parliament will lose no time in transforming those recommendations into real social security for all of the people of Canada.

Respectfully submitted,

PERCY R. BENGOUGH,
President,

GORDON G. CUSHING,
Secretary-Treasurer,
The Trades and Labor Congress of Canada.

The CHAIRMAN: Mr. Cushing, I have tried to divide your brief into sections for the purposes of questioning, and I would suggest that the first two pages plus the first three paragraphs of page 3 will be considered as the introductory section. Then the balance of page 3 plus the first paragraph on page 4 deal with private pension plans. The second and third paragraphs on page 4 deal with the abolishing of the means test and the setting up of a contributory system. The last paragraph on page 4 is on the age question. The first two paragraphs on page 5 are about the amount of the benefits, the monthly benefits. The balance of the brief is on the financial aspect and then we have the conclusions.

Gordon G. Cushing, General Secretary-Treasurer, Trades and Labor Congress of Canada, called:

By the Chairman:

Q. Mr. Cushing, have you any additional comments to make before I ask the members of the committee to commence asking you questions? The floor is yours.—A. Mr. Chairman, I do not think there is anything we can add. Our original intention was to submit a brief to this committee which speaks for itself without the necessity of adding to it. Our understanding in coming here was that the committee members have read the brief; at least we certainly hope they have—

Q. You can see that I have, at least.—A. Right. If there are any explanations that the committee members would desire we are prepared, in as clear a

manner as we possibly can, to give them our thoughts on old age pensions. But I do not think I should have to add to the brief. I hope we have covered mainly the amount of pension, the old age pension, and the means of financing. I believe those are the three main points in the brief.

The CHAIRMAN: Are there any questions on the introductory part?

Mr. BROWN: The introductory part includes their own program, on page 2.

The CHAIRMAN: It is a résumé.

Mr. BROWN: It is a résumé, but are we being permitted to ask questions on each one of these items, because they are fully covered further on in the brief. We all have a lot of questions to ask.

The CHAIRMAN: Do you not believe that we should wait until we reach the proper sections?

Mr. BROWN: I am asking because of the fact that the whole program is set out on page 2; and I am asking whether we ought to ask questions on that now.

The CHAIRMAN: If we do it is useless to divide the brief.

Mr. BROWN: In any event, as one of the reporters said last night as we left the meeting, most of the questions were asked on the first three pages anyway.

Mr. SHAW: Are you expecting us to ask questions, Mr. Chairman?

The CHAIRMAN: We are waiting for questions.

Mr. SHAW: I should like to ask the witness if this brief has been submitted to a convention of the Trades and Labor Congress of Canada or to the bodies which make up the congress, or has it just been prepared by an executive committee and submitted to us by them on their own?

The WITNESS: The submission was prepared by the executive council of the Trades and Labor Congress of Canada and the material contained in the submission, however, is the decisions or resolutions adopted at our national conventions. The submission has been sent to all of our central organizations throughout the Dominion of Canada, of which we have fifty-nine, but of course, because of lack of time we have had no reaction from them, but they have been advised of the position we have taken before this committee.

The CHAIRMAN: Did the resolution mention anything about the financing problem?

The WITNESS: Nothing other than on a contributory scheme. The Trades and Labor Congress of Canada for a number of years have approved of an overall social security scheme on a contributory basis. The method of collecting the money through taxation is the opinion of the executive council at this particular moment. We deemed that the most advisable way of doing it, and our organization is on record as favouring a contributory scheme, very definitely.

Mr. WISMER: I might add that the congress conventions are on record for a number of years as well against indirect taxation—hidden taxation.

Mr. BROWN: You do not agree with the Canadian Congress of Labor that it should not be contributory?

Mr. WISMER: We do not believe there is such a thing as a non-contributory pension.

Mr. BROWN: No matter how you get it it is going to be contributory. Do you think that income tax is contributory?

Mr. WISMER: All taxes are contributory.

Mr. SHAW: Would the witness agree there might be two bases of contributory pension, since he does not agree that there is such a thing as a non-contributory pension?

The WITNESS: Yes.

Mr. Wismer: Yes, there are two ways at least of having a contributory pension.

Hon. Mr. King: You speak of your contributory scheme; you mean everybody who is taxable?

Mr. Wismer: You could have a contributory pension which would involve contributions made by every person; you could have a contributory pension which did not involve in all cases direct contributions from everybody: and what we have attempted to produce is a second type for the reasons that are there in the brief. An over-all contributory pension in which every Canadian from, say, fourteen years of age would be involved in a contribution would, in our opinion, create an administration problem far too costly and far too extensive. Somewhere you have to compromise, and we have compromised in the direction of bringing the contributions out into the open in the greatest possible amount, to tie it somewhere near the income tax machinery which has proven effective, and is not too expensive in operation.

Mr. Brown: As I understand your brief; it is not solely on a contributory basis in that you contributed to a stated fund to be divided among a certain number of people; $600 million of that is raised by contribution and $120 million is raised by general taxation; it is taken out of the general fund.

Mr. Wismer: I think, as the brief suggests, if you are going to stick somewhere near the income tax machinery then the contributions will, from that group of people, provide somewhere up to 80 per cent of the necessary funds.

The Chairman: Is it the wish of the members of the committee that we start studying the brief at the end, first? Or should we go now to the first section about a private pension plan?

Mr. Brown: That is just the way we did it the other day.

The Chairman: Over the week-end we tried our best to keep to the divisions in the briefs.

Mr. MacInnis: It appears to me there is not much room for debate on the private pension plan; we are in the same position as President Coolidge was with regard to sin: he was opposed to it.

The Chairman: Are you opposed completely to private pension plans?

The Witness: Absolutely. I should add to that, Mr. Chairman, that if a person, shall I say in the higher income brackets, felt that in his aging years he would desire an additional income to the basic pension then I see no reason why he should not go out and buy that private pension; but for the over-all class of workers we were not in favour of private pension schemes operated through individual employers.

By the Chairman:

Q. Have you read the brief of the Canadian Congress of Labour?—A. Yes.

Q. They proposed first a flat rate of universal pension out of general revenue; second, on top of that, a contributory system; third, on top of that again, private pension plans. You are opposed to having private pension plans over and above the contributory system benefits which you propose?—A. That is right.

Mr. Wismer: Might I clarify the difference without indicating any particularly wide divergence of opinion? We have a very large number of our membership whom we speak for who are in intermittent employment. They are highly paid workers in the building trades or they are located in industries and we are doubtful that these people in any relationship between themselves and employers could develop a satisfactory pension plan. We have also in mind the existence in this country of people—not in organizations of labour, but

workers who work in marginal industries or in the lower paid industries or occupations—who are most unlikely ever to be covered by pension plans. In other words, just to get them covered by pension plans, in our opinion you have to go to the national level and provide a pension as of right.

The CHAIRMAN: Yes. Now, I will take a specific example, the Ford Motor Company. The company will pay a $55 pension. Do you say that if your plan was in operation—universal pension of $60—that the Ford Motor Company should not pay any pension to its employees?

Mr. WISMER: Oh, no. I mean if, after that, there is enough profit in the motor car industry, and the company through negotiations with its employees is prepared to defer wages up to another $40 to make it $100 at age 65, we have no objection; that is in addition.

Hon. Mrs. FALLIS: What would you do in the case of industries which already have a well established pension plan built up over the years? I am thinking of one in my home town of Peterborough, the Western Clock Company, who have for some years built up a pension plan among their employees. What would you do in a case like that?

Mr. WISMER: I think I could answer your question in this way with respect to a problem which arises in a case like that. If there was a union in that plant to negotiate between the employees and the employer as to whether there should be pensions, I think when the over-all pension of $60 at age 65 is in effect that the employees and the employer have to agree as to whether or not they are prepared to make the pension contribution to the federal government as well as a pension contribution to a private pension plan, and if they are not prepared to make the two contributions then I think provision should be made in the necessary legislation which creates this for such pension plans to be integrated with the national plan. Might I clarify that? There may be many pension plans in which the funds are invested in securities and there is an ownership in the trust for those funds. That is what I mean; there would have to be provided in the Act for some equitable taking over of the distribution of the funds.

Mr. LAING: Is it the opinion of the witness that substantially that type of pension constitutes wage deferment, and in a time of surplus labour the argument might be used that a pension would take the place of low wages; is there any of that type of thing?

The WITNESS: I think you will find in years to come—it is hard to know at the present time because of the period we have gone through in the last couple of years—that where private pension schemes have been negotiated and agreed upon with employers that they will be a deterrent in future negotiations; and a very fine example of that can be recalled in the case of railroads many years ago when pension schemes were used against the railroad workers, and that is one of the problems we are faced with from private pension schemes that are agreed upon—the negotiating.

Mr. SMITH: Might I direct your attention to these words in the middle of page 4: "There have been indications recently which suggest that the government of Canada is still in favour of private pension plans in spite of the difficulties these create and foster."

Would the witness care to comment and to cite some of these indications?

Mr. WISMER: There have been indications, Mr. Chairman, that the government of Canada was pleased to see the development of privately financed pension plans. Certainly, we in the congress had the feeling that they were happy about the settlement in Windsor, for instance.

Mr. SMITH: What were those indications? I do not know of anything on record which says that the government was in favour of pension plans as opposed to entering into a national pension plan, and that is the inference I got from reading that paragraph.

Mr. WISMER: I have not the newspaper clipping here.

Mr. SMITH: I wonder if your idea of the pleasure it gave the government was due to the fact that because of the agreement it meant there was going to be no labour hold-up, and it did not necessarily mean that they were in favour of this particular pension plan in preference to a national scheme. I thought there was some other indication that had not come to our attention.

Mr. WISMER: I do not think so.

Mr. BROWN: Do I understand that you are against private pension plans yet you are pleased with the Ford negotiations and the results which provide for a private pension plan?

Mr. WISMER: We are not pleased with the settlement at all.

Mr. BROWN: That is what I want to understand. And the reason you do not like these private pension plans is that you feel they are something which the corporation might hold over the employee which would be a deterrent to proper negotiations in a labour dispute; is that it?

Mr. WISMER: May I give an example? I was in Toronto a week ago Saturday, and I am thinking of one of our very old unions. Of course, many of the International unions affiliated with the American Federation of Labor have old age pension plans of their own, and they have been in existence for many years, financed entirely from the dues paid by the members; and in this particular union, by referendum, they raised the dues and increased the amount of pension which is now paid to the qualified people.

Mr. BROWN: On that point; that is a union matter entirely?

Mr. WISMER: That is right; but I want to talk about a member of that union, in spite of that fact. In one of the large printing establishments in the city of Toronto there is a pension plan in existence between the employees and the employer which is entirely in the control of the employer. A skilled workman, a printing press man, who had been employed in the company for sixteen years, was demoted by the employer to what was called an assistant as opposed to a journeyman press man. This man is a thoroughly qualified journeyman press man. When he spoke to the business agent of the union in Toronto, the business agent pointed out that if he would go over to the union office there were several jobs available in other plants as a journeyman printing press man. However, there were differences in rates of pay. This man decided that he could not afford to leave the pension in the plant and he was prepared to stay, as a young man, and for the rest of his life, at an assistant's rate of pay while he was a qualified journeyman press man—simply because of the pension over which neither he nor the union had any control at all.

The WITNESS: I think it is of questionable truth to state that all people within a particular industry will benefit by industrial pension plans in that industry. In all of the plans negotiated recently there are certain qualifications—twenty-five or thirty year periods of service required. Even in the Chrysler decision, reached recently, they are officially estimating now that only 20 per cent of the employees will benefit by the scheme. What are we going to do about the other 80 per cent, if we do not have a universal pension plan?

Mr. LAING: Why is the percentage so small?

The WITNESS: Because of the turnover of staff. Men will just not be able to stay in that industry for thirty years—for reasons of health, layoffs, dismissals, and some of them, of their own volition will leave—they will get mad and

quit. It has been estimated in a number of reports that in the Chrysler plant only about 20 per cent of the employees will finally benefit by the pension scheme agreed upon.

Mr. BLAIR: I should suggest that an industry could disband, or go broke, or something would happen to it in the meantime?

By Mr. Brown:

Q. Most of these plans are funded?—A. Not as I understand it—although I understand that the Ford plan is.

Q. Is not the Chrysler plan funded?—A. I do not think so although I am not familiar with it because it does not involve one of our organizations. However, I understood one of the reasons for the strike was that it was not a funded plan.

Mr. BROWN: But did they not finally agree to that?

Mr. DAVIDSON: Just a part of it is funded.

By Mr. Shaw:

Q. The Trades and Labor Congress spokesmen have said that they are not favourably disposed towards privately financed pension schemes. May I ask whether you would in any way undertake to suggest that the government should interfere with the establishment of such pension plans?—A. Not whatever.

Q. Your Congress would not take the position that it is actively opposed to the establishment of private pension schemes?—A. No, we would not officially oppose them but we certainly would not endorse them.

Q. Then, after all, is that not as far as we can go on these questions? We could spend a whole day discovering reasons why the Congress does not approve of private pension schemes but is it not enough for us to know that they just do not favour them?

Mr. KNOWLES: May I ask the witness whether it would be fair to say that the Congress is not opposed to private pension plans in all cases—certainly not as supplementary plans—but it is opposed to the attitude of mind that would accept private pension plans as the bulwark of our old age security system?

The WITNESS: That is right.

Mr. KNOWLES: You want a basic national old age security established first?

Mr. WISMER: As of right.

The WITNESS: That is correct.

By The Chairman:

Q. Do you agree with the Canadian Congress of Labour that in private pension plans you oppose payment of contributions by the employees as a matter of principle?—A. In the sense of private contributions—in that way, yes. We would much rather see the contributions put into a national scheme.

Q. You say that in every private pension plan the whole of the basic cost should be paid for by the employer? Do you agree with the C.C.L?—A. In private schemes—

Mr. LAING: Well you are making him say that he will accept a situation and then asking him how he will finance that.

By The Chairman:

Q. I refer to the C.C.L. brief.—A. I would say that if employers saw fit to take a certain amount of profit in each year and invest it in an additional pension scheme there would be no objection to that; but I do not think the

employees in that industry should be called upon by the employer or by anybody else who says "Now you will contribute to the national scheme and you will also have to contribute to our private scheme."

Q. Yes, but do you believe, if we had your plan in operation for instance, that employees should not press for additional private pension plans which would be paid wholly by the employer—when you consider the fact that the employer would try to pass on the cost to the consumer?—A. I think you will find that if you have a national scheme workers will not press for private schemes. They would continually be prepared to contribute, on possibly a higher contribution basis, toward the larger national scheme.

Q. I wanted your opinion on this—and I believe you have expressed it.

Hon. Mrs. FALLIS: It would all depend on the amount of the pension under the national scheme.

The WITNESS: That is correct.

Mr. WISMER: I think there is a little more clarification needed if I may give it.

The CHAIRMAN: Certainly.

Mr. WISMER: By setting the old age pension as of right at $60 you would offset greatly the need for private pension plans—as many are not nearly as large as that. Then, if $60 per month were not enough pension I think you would find organized labour still fighting to increase the pension rather than to advocate more private pension—for the simple reason that consumers pay for all private pension plans whether they share in them or not.

The CHAIRMAN: That is what I pointed out to Mr. Cushing?

The WITNESS: I think a fine example of that is illustrated by the policy towards our unemployment insurance. We first said that we wanted an unemployment insurance plan and once it was established we did not go to the employees and say that we wanted a private scheme to supplement it, we continued to press the government for larger unemployment insurance and said that we were prepared to contribute to a greater degree and, gradually, payments under unemployment insurance have been stepped up. Contributions likewise have been stepped up. Our conventions continually, year after year, go on record asking for a higher weekly payment of unemployment insurance. I think you would find the same pattern with respect to old age pensions.

The CHAIRMAN: I believe you have expressed your opinion quite clearly.

Mr. BROWN: I have just one question but I do not know whether it is quite in order. You tell me you are generally opposed to these private pension plans. Would you likewise oppose profit sharing plans?

The WITNESS: I do not know what that has to do with it.

The CHAIRMAN: We are far from old age now. Mr. Brown. You are going into the question of labour relations.

Mr. BROWN: I prefaced my remarks by admitting that, but there are many thousands of profit sharing plans—not all in this country but in the United States, and I wonder if your views would be the same toward those plans?

The WITNESS: Our national organization has never gone on record one way or another and I would hesitate to express an opinion.

By Mr. Ferrie:

Q. Witness, are you in favour of setting up a fund for labour in the same way as they depreciate machinery? Would you depreciate labour in the same way, and set up a pension fund for it?—A. Not to the same extent. We have made the comment that it might be necessary to set up a fund, but the main intent of the thing would be a pay-as-you-go plan which would

possibly create a gradual surplus or, likewise, a gradual deficit; and that is why we have suggested that the parliament of Canada or the government of Canada would have to review the operation of the old age pension plan every five or ten years. However, there would be a gradual accruing of a surplus or deficit and you might have to change the size of the contributions made to it or the benefits taken out of it to keep it in balance. It would be more or less a pay-as-you-go-plan—and not a general reserve plan. It would not be similar to unemployment insurance.

Q. Really and truly, it is in your mind and through the whole brief, that you advocate the principle and you want old age pensions set up, ruled, and governed by the dominion government?—A. Very definitely.

Q. Do you also take into account that the provinces should be in it?—A. Not in administration but we do say that those provincial governments which see fit to add supplementary benefits in their particular provinces—just as some of them do now—should continue. We see no reason why that contribution should be discontinued but, administratively, old age pensions should be completely within the hand of the federal government.

Q. Are you willing to take in with old age pensions the crippled, and those disabled, and those who are not able to provide for themselves after the age of say sixty for women and sixty-five for those men who contribute—or even do not contribute?

Mr. Laing: That is dealt with on page 8.

The Witness: We have dealt with that in our brief. We feel that all that should be under federal legislation.

By Mr. Ferrie:

Q. Then we come to the point whether you are, as an organization, going to put any limit on the cost of this set-up?—A. Yes, although we have not included it in our submission—

Q. No, it is not recorded here.—A. We estimate that the over-all social security plan would cost 12 per cent of the total national income.

The Chairman: We are far from private pension plans now. I would draw the attention of the members to the fact that we are still on private pension plans.

By Mr. Smith:

Q. It has been established, of course, that the Trades and Labor Congress is opposed to private pension plans but I am not sure whether it is established that they are in favour of plans that are now in operation continuing on their present basis?—A. I do not think we can say that we favour the continuation of present plans. I think we would say there must be an integration of present pension schemes into a national scheme.

Q. Then you have some thought that there may be found a method whereby a pension scheme in operation, for example, in the Mersey Paper Company in Liverpool, would be tied in with this national contributory scheme?—A. Shall I say we would condone the present pension schemes but we should not favour them.

Q. I want to be clear on this. You are not saying that you want these plans to stop now and have an entirely new one continue on a national basis?—A. No.

Mr. Wismer: I think we could go one step further and say we would hope that once the federal administration was wholly in the field—with the provinces in it in the manner of our suggestion—that you would see a gradual elimination of the private pension plan.

Mr. SMITH: In other words, you think by that time—

Mr. WISMER: A gradual step up in the national plan would see the elimination of the private plans?

Mr. SMITH: You think that in time the contribution would be on a scale higher than the present worker could continue to pay into his other plan?

Mr. WISMER: To put it another way, through contributions benefits would become adequate old age security.

The CHAIRMAN: You do not contend that any law passed by the federal parliament to implement your proposition would have to take into account the existence of private pension plans?

Mr. WISMER: No.

The CHAIRMAN: These private pension plans would not, as a matter of fact, be integrated; they would be changed, taking into account the fact that there would be a federal over-all pension plan, but there would not be any integration.

Mr. WISMER: No.

Mr. LAING: I think Mr. Cushing answered that by stating that a man over an extended period of time would not pay toward two plans. Do I understand him to say at the present time any private pension plan or group would be considered to be an omission from the general plan?

Mr. WISMER: We would oppose that.

Mr. COTE: Would you not think this integration of the private pension plan into the national scheme would add considerably to the complexity of administration of that scheme?

The WITNESS: It would for a while. I would say it would not necessarily be an integration. Let us use an example to explain. For example, there is a contributory scheme within an industry and an employee is contributing on the basis of $5 a month into that scheme. He finds that his contribution under the national scheme is going to be $3. I think there would be a re-adjustment of the privately operated scheme so that the $3 would go into the national scheme and $2 into the private scheme. There is the possibility too that there might be re-negotiation on the $2 and likewise on the benefit.

The CHAIRMAN: It would be easy to make the changes on an actuarial basis?

The WITNESS: Yes, I think so; very, very easy.

Mr. COTE: The private schemes would not necessarily cease to function from the moment of the national scheme?

The WITNESS: Not at all.

The CHAIRMAN: It would not be integrated?

The WITNESS: Not the way you mean of bringing them right together—but there would be a readjustment I would say in the private pension schemes.

By Mr. Ferrie:

Q. Would you adjust these private pensions along with the national pension? Let us just go back for the sake of argument to the Ford situation. The cost of that pension scheme is added on to the price of the commodity. The taxpayer is going to buy the particular article and he is also going to pay into the private scheme. Then, the suggestion is that he has got to pay into a national scheme. How are you going to adjust that? You say the only fair way to do it, coming to a showdown, is to cancel all private schemes. That would be the only fair thing but, as you say, it cannot be done. However, to ask the public to pay twice is not right?—A. Of course, Mr. Chairman, as far as pension plans are concerned, negotiated—shall I say in the automobile industry—my understanding is that they are all non-contributory from the point of view of the employee, so there

would be no adjustment necessary. The employee would not be contributing to them so that he is not going to make a dual contribution to the pension plan. If the public sees fit to contribute indirectly to a pension scheme for employees of that industry, then, that is something the public would have to put up with. It is not a matter that would have to be re-adjusted or re-negotiated. My understanding is also that automobile industry pension schemes are non-contributory but they come up for re-negotiation every five years. Conceivably, at the end of the next five year period these pension plans might be chopped right off.

By Mr. Shaw:

Q. Does the witness for one moment believe that organized labour would tolerate that in any industry? I can understand how we might have a re-negotiation of a non-contributory pension scheme but I will bet my bottom dollar that organized labour would not agree to dropping a pension scheme wholly financed by industry and, therefore, the company would have to continue paying it?—A. That is a question that you had better ask organized labour. Our policy is quite clear and definite.

Q. I was asking for your opinion as a labour leader?—A. We have stated our policy.

By Mr. Brown:

Q. Your general policy is that you do not object if the employees do not have to pay?—A. That is right.

Q. You do not care if you get something you do not have to pay for?—A. We said that if an industry saw fit, at the end of each year, to invest a certain proportion of its profits into a pension scheme for the benefit of its employees, then it is the industry's business.

Q. That is what I meant by something for nothing.—A. Right.

Q. You have no objection to that?

By Mr. Knowles:

Q. But you are not admitting that it is something for nothing?—A. It is contributory—there is no doubt about that.

By Mr. Ferrie:

Q. If a firm is going to give a pension, whatever it happens to be—you know the way they work on these matters—there is so much profit, so much a pound for material, and you know that. If the pension is added to the commodity, then, as I said before, somebody has got to pay twice?—A. That is correct.

Q. Then why do you ask the primary producer to pay twice?—A. Of course our organization is not asking that.

Q. Well under this scheme it is?

Mr. LAING: You can beat them by not owning a car.

The CHAIRMAN: Shall we move on to page 4, the question of age?

Mr. CANNON: Are we allowed to take the question of age with the question of amount?

The CHAIRMAN: We can take both of them together.

By Mr. Cannon:

Q. On the question of age, the basis of the suggestion of the Trades and Labor Congress is $60 a month at age 60 for women and at age 65 for men. I am going to suggest that there have been certain objections in the briefs submitted to us. I am not expressing them as my own opinions but I would

like the witness to give his reaction to them. What do you think, Mr. Cushing, of the objection that by paying a pension of that amount at that age, it would be placing an undue burden on the population of working age to take care of those who were over working age?—A. Of course, in our estimation we feel that 6 per cent is not too high a burden on the income of Canada at the present time. Now, if we were asking for $75 at age 65, it might conceivably at this particular moment be too heavy a burden.

Q. That is based, in your brief, on an estimated national income of $13 billion?

The CHAIRMAN: Well, you are going ahead to financing.

Mr. CANNON: It is very difficult to divide these things into airtight compartments.

The CHAIRMAN: All right, there will not be any rules just here—I am in the hands of the committee.

By Mr. Cannon:

Q. The witness answered that at the present time he did not think it was an undue burden. I will get right on to my question without preliminaries, but that statement is made assuming the national income remains at the level it has reached now?—A. Correct.

Q. But if it went down do you not think that $7 million might not be an undue burden?—A. Conceivably, yes. That is why we suggest that any national scheme would have to be reviewed periodically by the government. However, I do not think that the citizens of Canada should bear the thought that our national income is going to be reduced. I think we should look forward to it increasing. The labour movement, for one, and possibly many others, will be knocking at the door for increased pensions on account of the increase in national income in years to come.

Q. Let us hope that is what happens. Your answer there is that you do not expect any decrease.

Mr. WISMER: Apart from these periodical ups and downs which we have in our economy, and which I presume that the honourable member is thinking of, the long term national income is up. As we steadily increase productivity and population we have, in the long term, increased our national income. If you then provide for periodic consideration of the amounts of money you are asking to be paid into the fund for pensions, and of the amount you are prepared to pay out in pensions, you would be keeping that in mind. My idea is not to make your changes down—you should make them up.

By Mr. Cannon:

Q. My next question is do you not think, and it has been suggested, that a pension of that amount and at that age would give pensioners a purchasing power disproportionate to that of the population as a whole? The figures that have been indicated by the Minister of Finance in his budget show that the all-Canadian average spending on goods and services was $65 a month for 1948 and $60 in 1949. If these people had $60 at the age of 60 or 65, do you not think that might give them a purchasing power disproportionate to that enjoyed by the population as a whole—and I mean at the present time.—A. Does not that report from the minister deal only with the essentials of life—and if they are spending $65 or $68 a month now, then our proposal is not very far out of line.

Q. I do not think it is essential; I think it is the average?—A. $60 per month is considerably below the average labour income at the present time.

Mr. SMITH: Is it below the average income of all individuals in the country or the working population?

The WITNESS: Of the working population, yes.

The CHAIRMAN: You must not take $60 if you are talking about the working population—you must take something between $120 and $60 for married people—because you have both married and single people.

The WITNESS: Right, but to answer the question, the last statistics for the labour income of Canada show an average of $108 a month and that was for October of last year. That is taking in everybody from the age of 14 to the end of their working days.

By Mr. Smith:

Q. That is not the average for the labour force?—A. That is everybody, farm workers and everybody else. A boy of 14 years of age as of last October was earning $108 a month. We are saying that it is not out of line for a man 65 years of age to get $60 in the light of that $108.

Mr. CANNON: Naturally that is a general average and it is brought up considerably by the earnings of those in the higher brackets. This pension you are suggesting is for everybody, not industrial workers but for farmers and everyone. It has been suggested that in the experience of a lot of members of this House and of the committee that farmers do not, as a rule, get as much as $1,400 cash a year. They live off their farms and they do not have that amount. So, if a farmer and his wife were both on pension they would get, according to your suggestion, over $1,400 a year.

The CHAIRMAN: In cash.

By Mr. Cannon:

Q. Yes, in cash. Do you not think that at least that class of Canadian citizen would have purchasing power out of proportion to that of the rest of the population? It would put them in a position undoubtedly better than that of others?—A. Well, this farmer at age 65 cannot produce as much on his farm as he produced at age 45. He should have a larger purchasing power in dollars to offset some of his lack of producing power. I admit that the average national income of the farmer is not as high as $60 because the production on his own farm offsets that.

Q. On the other hand the farmer continues to live on the farm and the farm is continuing to produce, perhaps by the work of his sons and their families. However, there would be a farmer, who, in the ordinary circumstances up to now, would be dependent upon the production of his sons and daughters and who, if we had this old age pension, all of a sudden would have $1,400 a year. Do you not think that might be bad?—A. It might be a good answer to say that it might then take considerably more money, to pay for additional help on the farm, to produce what the farmer used to produce.

Q. Another point which has been submitted is that such a high pension would tend to stimulate the withdrawal of individuals from the labour market at a time when they were still able to produce and add to the national wealth of the country?—A. That is quite possible, to a certain per cent, but I think our national employment service authorities particularly over the last two years—over the decline of the war labour force—have found it increasingly difficult to secure employment for aged people. They continue to advertise and solicit help of industry in the direction of employing aged people so I do not think that we need be too concerned about their withdrawal from the labour force. The problem right now is to try and get jobs for those aged people.

Q. You do not think that is an important objection?—A. I do not think so.

The CHAIRMAN: Your pension would not be subject to a retirement condition?

The WITNESS: No, the abolition of the means test would mean that it would not be subject to a retirement condition.

Mr. BROWN: It says on page 6 that you advocate $60 a month to all persons 65 years and over, without a means test. That is, everyone regardless of income and resources would get $60 a month.

Mr. CANNON: Before I finish I just want to thank Mr. Cushing for answering my questions. As I stated at the beginning I was repeating objections which have been made and I was not expressing my own opinions.

Mr. SHAW: I take it the $60 was arrived at purely in the light of present day living costs? Is that correct?

The WITNESS: Yes, in two ways. Answering the other member's question too, it is considerably lower than the national individual average and it might be considerably higher for married couples who would receive $120 a month. It could fluctuate, there is no doubt about that.

Mr. SHAW: I was going to ask you whether you believe the amount paid per month should fluctuate up or down as the cost of living fluctuates?

Mr. WISMER: I just wish to refer to page 5 of the brief, the last sentence of the first paragraph, which says: "However, we recommend that the monthly payment of old age pensions to all citizens of 65 and over be set at the highest possible rate, and, in our opinion, this should now be $60."

After all this is on the basis of the labour movement's feeling of what living costs are and what they have to meet themselves.

Mr. SHAW: Can I take it that you would not be in favour of the pension falling below $60 a month at any time?

Mr. WISMER: Not on the present living costs.

Mr. SHAW: Of course that gets back to my previous question that if the cost of living index over a period of say three years should fall 25 points, would you agree that the basic pension—I will refer to your plan in such a fashion—should be reduced?

Mr. WISMER: Well, if we could get a good index of what the living costs really are, then I think we could get around to having a fixed payment such as a pension being moved against the cost of living index, but that is not feasible in the case of any cost of living index that I have ever seen.

Mr. SHAW: Well from your computation to date—on this so-called unreliable index you have taken as the cost of living—whether you agree with the Bureau of Statistics or whether you do not, you have said $60 a month. I am asking whether you agree that this basic pension should be decreased below $60 a month for any reason?

The WITNESS: I would say yes, under a proper survey of the cost of living, if it could be justified that the cost of living had decreased so that there would be no hardship worked on aged people; then I would say the government would be justified in decreasing the old age pension. Likewise they would be justified in increasing it if the cost of living went up.

Mr. SHAW: Then the question logically follows: What would you do under a contributory scheme in handling the levies imposed upon people when you have a fluctuating scale? Do you think it is administratively possible, without tremendous cost?

The WITNESS: I think so. The administration cost would increase materially, there is no doubt about that, and I do not think it is possible to operate a scheme that would fluctuate and wherein the benefit would change every three months or every six months or every year. I think there ought to be a period of say two or three years without adjustment. I think it would be possible then.

By Mr. Knowles:

Q. In other words you would not want it written in the law that the adjustment was to be made automatically as the Dominion Bureau of Statistics figures showed increases or decreases?—A. No, no.

Q. But you do not rule out the situation that at some future session of parliament conditions might have changed to the point where those changes might have to be carried into the Act.—A. We have said that.

Mr. SHAW: May I ask the witness then, in the light of all that, whether he can agree that probably a lower fixed basic pension might not be advisable as a starting point, with revisions upward; that is a basic pension that we likely would be able to carry on in all economic circumstances which we are likely to encounter?

Mr. WISMER: I would like to interject that these considerations, in my mind, sir, are possible when you have something nearing an over-all security program, when many of the adjustments for areas and for different classes of people can be taken into account in the over-all scheme. Then you can look at what you can do with any one scheme, but, just to say that old age pensions should be set at a low enough rate that it would be able to go on indefinitely, regardless of fluctuations in economy to my mind is unfair.

Mr. SHAW: I am always careful to set a figure that we are not likely to have to cut down on. I think it would be dangerous in the extreme, and if I was associated with the government as a part of it I would be extremely anxious to set the figure so that every move would be upward, without any possible move downward. I can envisage a cut in the basic pension of $60—not that I am saying it is too much for a person in these days of high living costs.

The WITNESS: My comment would be I can see no more harm in a reduction than in an increase. I certainly think it would be more beneficial for the over-all scheme to start at a reasonable level rather than to start at a low level.

Mr. SHAW: I did not say that it should start at a low level; I suggested possibly a little lower level.

Mr. KNOWLES: A low level was started in the '20's.

The WITNESS: Anything less than $60 would be a low level as far as the labour movement is concerned.

By Mr. Ferrie:

Q. Do you think that $60 a month would have a material effect on the over-all scheme, in the minds of all people of Canada? In taking any over-all scheme of social security, do you think $60 a month for old age pensions in the first place could be afforded? Do you think the country would be able to stand $60?—A. We say they could.

Q. In the over-all scheme?—A. Yes.

Mr. BROWN: You make the statement on page 6.

The CHAIRMAN: Before going on to the financial part may I ask one question on age. It follows the general question I asked before, regarding whether a pension would be paid even if the worker did not retire. Have you given any thought to a system under which payment of benefits would be subject to the condition of retirement say from age 65? Let us take the age you mention here—and, if the worker does not retire but goes on contributing, when he retires at 68, 69 or 70, he gets an increased benefit?

Mr. WISMER: Well, Mr. Chairman, we have noticed that there are a lot of such schemes in force in the world.

The CHAIRMAN: That is why I am asking the question.

Mr. WISMER: Is it not also true where such schemes are in effect there is also something in the nature of a shortage of labour and there is a need to keep men and women at work beyond the age of 65? Outside of wartime I do not know of any time we have that condition in a new country like Canada.

The CHAIRMAN: Do you not agree that socially speaking it is a good thing for the worker, in some cases, to be encouraged to work past 65?

Mr. WISMER: Socially speaking, yes.

The CHAIRMAN: You do agree that socially speaking it is a good thing that a worker be encouraged to work beyond 65. However, there is a danger—

Mr. WISMER: There is a danger and it is a very great one in Canada now. A lot of men over 40 are not able to get work.

Mr. MACINNIS: What is that?

Mr. WISMER: It is very difficult, if you are over 40 today, to get a job in industry. One of the reasons is that you cannot get in under the pension schemes.

Mr. LAING: Yes.

Mr. WISMER: The other reason is that there are young people coming along in their 20's and 30's who are a little more active and who, if they were loyal to the firm, could stay with it much longer. Surely, if we are going to think in terms of asking a man to stay on beyond 65 and put a rider on the pension, then we have got to put something on industry to make them employ men over 40. At forty, today in Canada, you are almost ready for the old age pension.

The CHAIRMAN: Well one portion of the working force is employed at an age which is over 65, and a lot of self-employed go on working after age 65, but, since the only part of the working population that is destitute or permanently out of a job—the crippled, and the prematurely aged—between 65 and 70, do you not believe—and it is not my opinion I am expressing—that what is required is a means test pension from age 65 to age 70, and a universal pension from 70 and over. Do you not think that would be the answer to the problem?

The WITNESS: Well I do not think that the labour movement would ever agree to a means test pension between 65 and 70. It might agree to some retirement provision between 65 and 70.

The CHAIRMAN: Suppose the means test would be liberalized.

Mr. KNOWLES: That is a small "l"?

Hon. Mrs. FALLIS: Like everything else today.

The CHAIRMAN: For instance, a man could receive a small pension of say $30 from the C.P.R. or the C.N.R. If he could still receive that as well as the full benefit under a means test, would you have to review your opinion?

Mr. KNOWLES: Is the chairman talking about this so-called liberalized means test applying in the 65 to 69 bracket?

The CHAIRMAN: Yes. Would you have to review your opinion?

Mr. WISMER: I do not think that either of us wish to say anything here that the labour movement has not considered. I think probably you would find that most working people are of the opinion that they do not want a means test of any sort.

The CHAIRMAN: I agree.

Mr. KNOWLES: Good, the chairman agrees.

The CHAIRMAN: I agree they say that.

Mr. KNOWLES: Oh, I thought we had won the day.

The CHAIRMAN: I agree that some of them say that.

Mr. FERRIE: You say right off the bat that we should do away with the means test but we have not got anything to put in its place?

Mr. WISMER: I think you would find the labour movement prepared to discuss a retirement provision in regard to people in the ages 65 to 70.

Mr. CANNON: For medical reasons?

The CHAIRMAN: No, delayed retirement to increase benefits.

Mr. CANNON: I thought the witness might have meant to have medical examination in place of a means test.

The CHAIRMAN: I do not believe that you got the point exactly. If a man delays his retirement he does not get a pension and he goes on contributing but, when he retires, he has increased benefits.

Mr. CANNON: I was thinking of another angle. It has been suggested that between 65 and 70 old age pensions should be paid not on the basis of the means test but on their physical ability to work. Those unable to work would get a pension.

The CHAIRMAN: Yes, but that would not cover people who were physically fit but out of jobs—because they would not be employed.

Mr. BLAIR: May I ask a question? Why choose age 65?

Mr. WISMER: We have chosen age 65 because a very large number of workers nearing or at age 65 would like to retire then, and it is also the age at which most employers would like to have them retire, since that is the age they set for retirement.

Mr. MACINNIS: Including the dominion government?

Hon. Mr. DOONE: When you used the word "liberalize" did you mean that earning limit might be enlarged?

The CHAIRMAN: Not only that but other features:—income limits, property ceilings, and so on.

Mr. MACINNIS: I think this question of persons working after reaching what we generally call the retirement age of 65 is important. I do not think that it can be answered by saying that you are in favour of it or that you are opposed to it. I am interested in a retirement age of 65, because I am over that and I do not want to retire.

The CHAIRMAN: Your electors refuse to let you.

Mr. MACINNIS: It is not particularly because I like working, but I do not want to retire. Suppose we got into a period of depression or of considerable unemployment, does not your experience indicate that there would be a strong demand for the retiring of older employees, particularly if they had reached 65, in order to take on young men who were deteriorating because of lack of employment.

The WITNESS: That definitely happened in the '30's.

The CHAIRMAN: But your brief is presented on the basis of the present situation?

The WITNESS: Yes.

Mr. MACINNIS: You have not made any suggestion in your brief as to the retirement age, except that for pension it ought to be 65.

The WITNESS: We did not say anything about retirement in the brief.

Mr. ASHBOURNE: Mr. Chairman, I was wondering if the witness would like to state how much, in his opinion, the percentage or figure for the present cost of living index is out of line?

The WITNESS: No, I would make no comment on it.

Mr. ASHBOURNE: The other gentleman with you commented on it. He said something about if he could get a satisfactory index—or that it was out of line to a degree that it should not be.

Mr. WISMER: I am satisfied, and I know a great number of other people who attempt to set wages or income levels in relation to a cost of living and income indexes, think that it certainly does not seem to fit patterns of buying that have been established. People are not doing the same things today that they did fifteen years ago and, to quote the Minister of Agriculture of Ontario, they eat a lot more meat, a lot more eggs, and a lot more protein foods and so on. They have changed their way of living, and I am satisfied—and this is my personal opinion because I do this sort of work but it is the opinion of other people too—that it just does not fit these changes. If you are going to say that the cost of living has been fitted to carbohydrate living but now you are in an era of protein living then there is something wrong with your index. Certainly these things have happened.

The cost of living was set at 1939, and, in 1941, we said that you could increase your bonus and wages 25 cents a point. If you add up all the increases since then, the wage level at which you could afford to buy things and keep up with the cost of living, as a minimum, would be well over $1 an hour. Now that is not so. It means that the incomes of people, to match the cost of living today, would have to be far higher than the figures show they are. It is considerations of that sort that make me hesitate to say that you could fix a pension payment on a fluctuating index of that sort. We are not suggesting that the Dominion Bureau of Statistics makes a false survey or gives false figures.

Mr. KNOWLES: But the index does not fit the experience of the average housewife.

Mr. WISMER: Yes, and just to elaborate we have asked the government of Canada, for about five years now, to revise that index. I believe that in other countries revisions are under way. It is a big job but we believe, as someone said, the index does not indicate what happens at home.

The WITNESS: To be a bit more specific on the particular question, when the Dominion Bureau of Statistics says that the average rental being paid for homes in Ottawa at present is $35 to $39, then we think that is away out of line. When they say that the average rental in the city of Toronto is $36.50 to $40, as of February this year, I think you will agree they are away out of line?

The CHAIRMAN: Do the figures include heat?

The WITNESS: No, it does not include heat.

Mr. BROWN: What has it got for Windsor?

The WITNESS: They say you can rent a house in Windsor for $28.50 to $32.50?

Mr. BROWN: Then I agree with you.

The WITNESS: That is why the labour movement says that the cost of living is out of line. It is most difficult for an independent private agency, a labour organization, to go across the country and take an index the same as the Dominion Bureau of Statistics does it. We cannot say that the dominion index is 20 per cent out of line or 40 per cent out of line, but we can certainly be specific and give examples, such as we have here today, to show that it must be out of line, and that it is not in the true sense a reflection of conditions as they are today.

Mr. FERRIE: Suppose there were two persons, a man 63 and his wife who has just become 60. Would you a advocate that if the man were earning his full wage and doing a steady job all the time that his wife, on becoming 60, should have that pension?

The WITNESS: Yes, because you will find many times that a husband will be 65 and yet a wife will be 55, and they are expected to live on $40 a month at the present time.

The CHAIRMAN: I do not quite follow you when you say 65?

The WITNESS: Excuse me, when the man is 70, I should have said. That is why I think wou will find in a number of submissions people say that we are discriminating against the feminine sex by reducing the age five years, but I think for the average married couple across Canada there is a range of five years or three years difference in age.

The CHAIRMAN: It would average three years.

The WITNESS: We estimate that men are on an average five years older than their wives.

Mr. KNOWLES: You also have to consider widows and spinsters and the general figure shows that they become needy, generally speaking, about five years earlier than men. Also, all women are not wives.

By the Chairman:

Q. The other day we had as a witness Mr. Brace, the chairman of the executive committee of the Canadian Chamber of Commerce who said that industry would have to revise its ideas about retirement age so as to employ more people over the age of 65. Would you comment on that?—A. The national employment service has been trying to tell them that for about two years.

Q. Yes, but would you comment further?—A. The problem at the present time is the employment of elderly people because the labour market will not accept them. That I think is why there should be a reduction in the age to qualify for pension benefits.

Q. That would not help in obtaining a revision of the ideas of industry?—A. Possibly not but the national employment service has been trying to revise their ideas for two years and they have not made a success of it yet.

Q. You agree that it is a serious and difficult question?—A. Yes. I think if there were a national pension plan in effect it would solve a lot of those problems. Admittedly there are a lot of people young at 65 and who would desire to continue working, but the vast majority of the population which reaches 65 would be desirous of retiring.

Q. I am not so sure of that. From the social aspect Mr. Wismer agreed that it is a good thing, socially speaking, that people work after 65 if they are physically fit to do so.

Mr. LAING: They become self-employed?

Mr. WISMER: May I throw out a suggestion to you. If we provide old age pensions of $60 at age 65, which meant as of right every man and woman reaching that age—

The CHAIRMAN: —without any retirement condition?

Mr. WISMER: —without any conditions, every man reaching that age would at least know he had that much money to live on. He then could do things for himself rather than be locked against machines as so many of our workers have to be. Rather than get involved in the very complicated business of saying that if you do not retire you can get 2 per cent more at age 68 or 5 per cent more at 70, we should spend a little more time thinking about how we can encourage the people to become useful citizens on pension.

By Mr. Ferrie:

Q. Just one more question: do you think that the young people of this country would be willing to do what you ask to carry that load?—A. Our people have said yes and they have said it repeatedly.

Q. They have said it at your conventions?—A. Right.

The CHAIRMAN: But had you spoken of that figure of six per cent at the time?

The WITNESS: I would say this, that the delegates to the national conventions of the labour movement are pretty conscious of economics; they understand what they are doing when they pass a resolution. Our organization has been on record for a number of years for a contributory plan of social security.

Mr. BROWN: On page 6, you say the cost would be approximately $120 million. The present revenue from imposition of income tax is what, $600 million?

The CHAIRMAN: About $630 million.

By Mr. Brown:

Q. In other words, you would have to double the income tax revenue. Now, further down on the page, the next paragraph:

> Before assessing this cost against personal income, it would be necessary to remove certain incomes from the total shown above. These deductions in our opinion, would amount to approximately $2,500 million leaving a national total of assessable personal incomes for the purpose of Old Age Pensions of $10 billion in 1949.

And then you go on—

> A six per cent social security contribution on this total would provide a revenue of $600 million.

In other words you would have—I want to comment on the word "assessable" there—you would have the same exemptions, would you, as there are today?—A. For income tax purposes?

Q. Yes.—A. We say this: the best way would be to use an example of a married man with a $3,000 income. He now has an exemption of $2,000, provided he has not a family. He would pay six per cent towards the old age pension which is $180 on $3,000. He would pay it on the total sum and that would be a direct percentage.

Q. If he has a $3,000 income he would be assessed on the $3,000 at six per cent?—A. Correct.

Q. In other words he would pay $15 a month with no exemptions?—A. That is right.

Q. If a person then had an income of $1,500, he would pay the half of that, namely, $7.50 a month?—A. Let us use the other example, a married man with an income of $2,100. Normally, he would pay six per cent on $2,100, which would be $120 a year. His present income tax exemption is $2,000. He would not pay below his present income tax exemption; in other words in the case of the man with a $2,100 income, his contribution to old age pensions would be $100 and nothing more.

The CHAIRMAN: I would like to be clear on this matter. This $10 billion figure does not take account of the exemptions, because if you exclude exemptions the figure goes down.

Mr. WISMER: I think Mr. Cushing was a little too liberal in his exemptions.

The CHAIRMAN: I think he was.

Mr. WISMER: I think you will find that we pay income tax now on somewhere around $7 billion. That is the declared income, somewhere in that level, or it was so in 1948. I got it from the national revenue people some weeks ago. While we have not said that you would get exactly the same exemptions for income tax, we have said for a reasonable compromise and to get a reasonable scheme that it has to be geared to the income tax machinery. Now, in arriving

at this $10 billion there was no question that the figure of $12½ billion was set out in the budget paper as personal income; there is the present old age pension payment and that type of thing; and there is also in there the incomes of people who never will be able to pay any money for their old age, they do not make enough money, they live from day to day.

The CHAIRMAN: Could I put a series of questions, Mr. Brown?

Mr. BROWN: I am just in the midst of a series of questions myself.

The CHAIRMAN: Go ahead then.

By Mr. Brown:

Q. I am trying to find out about this $3,000 income of this man, whose example we used. You say he would have an exemption of $2,000 but he would have to pay six per cent tax on the whole $3,000?—A. That is correct, that is the answer.

Q. But if he drops down to $2,100 he would only have a tax of six per cent on $100?—A. I said six per cent of $2,100, which is $120.

Q. Fine.—A. Which would drop him down below his exemption, wouldn't it? So that his contribution to social security would be $100. In other words we do not propose that the income of anybody should be dropped below the present exemptions.

Mr. MACINNIS: Because of the tax.

The WITNESS: Because of the tax.

The CHAIRMAN: There would be a notch there.

The WITNESS: There would be a notch on the single man with $1,000 exemption; if he made $1,050, his contribution to social security should be six per cent of $1,000, which is $60 annually, he has only $50 over his present income tax exemption so his contribution would only be the $50. You could not drop him into the $1,900 class.

Mr. WEAVER: I would like to get this correct, Mr. Chairman. You mentioned adjusting the present exemption to fit in with this figure. Am I correct in understanding it this way, that you would reduce the exemptions until the taxable income equalled $10 billion and then work from there, is that a reasonable assumption?

Mr. WISMER: I think you will have to look at it this way: we are not asking that the present income tax exemptions be lowered, we are not talking about that, we are talking about an income on which you can reasonably assess six per cent to provide what is eighty per cent of the total pension estimates, and you have got to move down from the top, down through a scale of personal income until you can find that amount.

The CHAIRMAN: That is for social security taxes only.

Mr. WEAVER: Now, as far as the income tax structure at the present time is concerned, you would not recommend any change in that at all; you would not recommend any change in the married exemption nor in single exemption. That is clear, is it not?

Mr. WISMER: But allow this to be calculated under the same form.

Mr. SHAW: Mr. Chairman—

The CHAIRMAN: Is your question on the same subject, Mr. Shaw?

Mr. SHAW: Yes, the witness states that the six per cent levy on $10 billion will provide $600 million, that is working on the theory that you can collect every dollar. What do you think the percentage might be in order to realize $600 million?

Mr. WISMER: On labour it will be 100 per cent.

By Mr. Shaw:

Q. But labour does not make up the entire population.—A. That is a question that should be asked of the National Revenue department.

Q. You say that you are going to raise $600 million in a certian way, but $600 million has never been raised yet by a government by a six per cent levy on $10,000 billion, so I suppose you are going to have to add a certain percentage.

Mr. WISMER: But is it not covered in the rest of the story, that the balance between $600 million and $720 million or whatever portion of $600 million you think you can collect by a six per cent levy on $10 billion has to be made out of the general revenues.

By Mr. Shaw:

Q. You are saying that whatever part of the levy you do not raise by the six per cent you take out of the general levy. That leads me to another question: what is your objection to taking it all out? You have taken a rather firm stand in the support of this so-called direct contributory system?—A. We said some time ago that we condoned private pension plans but we do not approve of them. We condone the present way of raising funds for pensions, but we do not approve of it. They are raised by indirect taxation at the present time. We are ready to continue that for the time being, but you are contributing a certain portion of your earnings to social security for Canadians and the day might come when all of it would be by a direct scheme. We estimate at the present time, however, that some of it would have to be raised by the present plan and we condone that plan, we do not approve of it.

Q. Has the labour congress or any of its affiliated bodies petitioned the government within the last couple of years for higher exemptions under the Income Tax Act?—A. Yes, they have, every year.

Q. But you are computing this on the present basis?—A. We must compute it on the present basis because that is what we are living under.

The CHAIRMAN: You do not mean that the figuring in your brief is computed on the present basis of income tax exemptions. It cannot be, because you have taken that $10 billion figure which is the overall figure and you have taken a straight six per cent of it without taking account of any exemptions that could be awarded.

Mr. WISMER: I think that is important, Mr. Chairman.

Mr. SHAW: They have definitely worked on $1,000 and $2,000 because they say they will bring no one below those figures.

The CHAIRMAN: Pardon me, while I ask Mr. Wismer a question. A few moments ago he said if the present income tax exemption levels remain where they are, he would favour a reduction of the income tax exemption levels, for social security tax purposes only and my question is how far below would you go?

Mr. WISMER: Well, I would answer the question in this way. As Mr. Cushing has said, there is no doubt but that all through the labour movement we would like to be able to finance it without having to drop below the present exemption but you have to raise personal incomes that you have, and you will start at the top with this six per cent and you have to drop it down until you get six per cent of a figure that will produce eighty per cent of the pension payments. Where that comes out at I do not know, but that is at the very lowest level of incomes that you can possibly assess it.

The CHAIRMAN: That is why your figuring of $600 million in taxes from a total income of $10 billion is a bit high because you are taking six per cent of every dollar of the income of Canada.

Mr. WISMER: No, I am taking six per cent of—

The CHAIRMAN: $12½ billion?

Mr. WISMER: No, I am taking six per cent of $10 billion, not $12½ billion.

The CHAIRMAN: Yes, but this $2½ billion you have subtracted is for family allowances, old age pensions, widows' allowances, war pensions et cetera. You have taken away that figure of $2½ billion and you are left with an over-all possible amount of income on which you can tax of $10 billion.

Mr. WISMER: I do not think the figuring is done that way.

The CHAIRMAN: Well, I enquired from the proper authorities and that is what I was told.

Mr. WISMER: I could direct your attention to a survey which was made by the Dominion Bureau of Statistics for the unemployment insurance advisory body, and their figures were for only three-fifths of the labour force, but that includes every working person, self-employed or otherwise, in the country, and it indicates that eighty-five per cent of those people earn $21 a week or more. Now, the interesting thing is that the figures which are available from the Dominion Bureau of Statistics and the Department of Labour on the labour force and the figures which are available in the Department of National Revenue do not jibe.

The CHAIRMAN: Yes, but you will agrée that the one from the Department of National Revenue is the practical one you have to accept.

Mr. WISMER: Except that raises the question that they do not get all the taxes.

The CHAIRMAN: That is a fact that we have to take into account.

Mr. SHAW: Occasionally I become very badly confused, but a moment ago the witness said that if a man had an income of $1,050, they would impose a six per cent levy but they would not bring his income below $1,000. Then a moment after that he said you have to go as far as necessary to raise the gross amount of money necessary to finance the scheme. Now, I cannot fit the two things together.

The CHAIRMAN: The first one was an example. If we keep the present income tax levels that is the way it would work; it was an example of the notch system, but they say on the other hand, that that figure is only an example.

Mr. SHAW: What they are saying then, in effect, Mr. Chairman, is that under their proposals eventually their aim is not to have any exemption whatsoever under the income tax.

The WITNESS: I think you will find this, that your $2½ billion that you are estimating will cover a large proportion of your present income tax exemptions. Now, you have listed many others, widows' allowances, family allowances and so on. They are in a number of cases included in the income tax exemption already.

The CHAIRMAN: I cannot agree with you. You just mentioned a few moments ago that the figure for taxable income from the Department of National Revenue was $7 billion.

Mr. LAING: It is seven minutes to six now and we will soon be adjourning. Mr. Chairman, could we skip over these items for a moment. I just want to mention something that struck me because this is the first brief I have seen in which reference has been made to the housing problem in respect to this subject. I feel that in our city of Vancouver many of the problems of old people have to do with a lack of housing accommodation. I believe the growing up family displaces them or the house deteriorates to an extent that it is not

habitable. I think that housing is an extremely important element in old age security. I do want, however, to compliment this organization on what I think is one of the important aspects of their brief.

By Mr. Brown:

Q. Would you say that a person with an income of $2,000 or less would not be making a contribution, would not be taxed—I mean a married man?—A. No, sir, under present income tax exemptions.

Q. Well, there are a large number of married men who have incomes of $2,000 and less, are there not?—A. Yes.

Q. Then, as I see it, would this be a contributory scheme that you have got? They would not be making a contribution.—A. It certainly would be non-contributory from a person of that type because can anybody reasonably ask that a married man earning less than $2,000 should contribute?

The CHAIRMAN: You are not agreeing with Mr. Wismer there.

Mr. WISMER: I do not think there is any basic disagreement between us. What we are talking about is that the labour movement would prefer that the six per cent levy could be made on enough income before we got to the present income tax exemptions.

The CHAIRMAN: But, it cannot, as you know from your own figures.

Mr. WISMER: I think we should dispose of that argument now. That is the first thing. That is what we prefer, and all that I said was you still have to finance eighty per cent of the scheme from open personal contributions; you may have to go below that to—

Mr. BROWN: You have to raise $720 million.

The WITNESS: You may have to go to seven per cent. We have estimated it at six per cent. That is an estimate. In figuring on an overall scheme like this it may be quite conceivable that it would have to be six and a half per cent to raise the eighty per cent, it might have to be seven per cent. So I do not think we had better fix our sights too closely on the six per cent. We hope that that will be possible and that is our suggestion that it should be possible.

Mr. WISMER: And, Mr. Chairman, I think it is also very important to recognize in our suggestion that twenty per cent of it approximately should be financed from general revenues in order that in effect everybody then does contribute.

By the Chairman:

Q. Would you rather favour an increase in the rate of contribution from six per cent to seven per cent or eight per cent than the lowering of the exemption levels for the purpose of social security tax only?—A. An increase in the contribution? Right. Our organization has been very emphatic on the minimum.

Q. You would rather keep the exemption for social security tax purposes on the same level as on income tax purposes and increase the rate of contribution.

By Mr. Smith:

Q. I have just two questions. When you suggest that this scheme would cost $720 million, have you taken into consideration other parts of social security? I am thinking of health and security for crippled people at a much lower age. Have you taken into consideration what effect this large amount of money would have on establishing other branches of social security?—A. I said some time ago that we have not been too specific on this submission. believing this committee was dealing only with old age pensions. Our organization estimates twelve per cent for an overall social security plan. Whether that day will come I do not know, but we hope it will.

Q. The second question I would like to ask is: in this part of the brief only you said that you have an idea this can be paid for by a six per cent tax on all salaries and wages. Has that been brought to the attention of delegates who passed the resolution back of this brief? In other words have the delegations from any company known and realized that if they want this it would cost them about six per cent of their income?—A. As I said some time ago the delegates to national labour conventions are pretty conscious of their conditions and economic problems. They are aware that under private pension schemes they are contributing anything from five to eight per cent and I would say while it might not have been specifically stated on the floor of the convention I am sure that every one of them realized it would cost them five or six per cent of their income on a contributory scheme. Since this committee has been established it would be interesting to watch our national convention this fall when we will be able through the efforts of this committee and with the statistics that have been brought out to say to our people, here is an estimated cost.

Q. This brief has gone out to the branches and the individual unions?—A. I would say that together with this brief which has been sent to our organizations, we also prepared an additional review and table on social security and what it costs, and four pages of statistics went along with the brief to let them know just what the problems are.

Mr. CANNON: I have a very short question. The basis of your reasoning is $10 billion taxable national income. Now, in connection with the limit of exemptions, supposing we placed the limit of exemption at $1,000. There are five million people in the labour force, so one thousand multiplied by five million people is five billion, so immediately you lose one half of your ten billion on which you base your six per cent, and that is on the basis of your exemption of $1,000.

Mr. WISMER: That is not very good arithmetic.

The WITNESS: I would suggest this to you, that there are not five million people in labour force, there are five million entitled to $1,000 exemption, married women, for example. The labour force covers all that type of worker, so you cannot arrive—

Mr. CANNON: That five million labour force includes married women who are housewives?

Mr. FERRIE: I am afraid my question will take too long. You said that you do not like the private pension schemes, you just condone them, and now you say you do not like this scheme but you just condone it.

The CHAIRMAN: Which scheme?

Mr. FERRIE: This scheme which you have just presented to us.

The WITNESS: I do not think we made that statement. I made this remark in reply to a member here: we do not like indirect taxation but we condone it to raise the additional money needed for a national scheme.

Mr. ASHBOURNE: You mean taxation such as the sales tax?

The WITNESS: Correct. We do not approve of an indirect taxation scheme of that type.

Mr. FERRIE: What kind of a scheme could you state here. I do not see any difference in an indirect tax. The result is there. You do not like it but you condone it. The whole thing is taxation, even if it is an indirect tax. You have to have a tax some place. So what scheme would you have that would take its place?

The WITNESS: We are suggesting that $10 million will be raised by direct taxation. For instance, it would say on their income tax form, 600 million at least would be direct taxation.

By Mr. Ferrie:

Q. You mean that you would take direct taxation into the income tax?

The CHAIRMAN: For social security purposes, Mr. Ferrie.

Mr. FERRIE: And everybody receives the benefit whether they contribute under the income tax or not?

The CHAIRMAN: It is a social security tax.

Mr. FERRIE: Yes.

The CHAIRMAN: Well, gentlemen, the members of the committee will join with me in thanking you very much for your presentation which has been very interesting. I hope there will not be any hurt feelings after this afternoon. It was a very amiable discussion. We thank you for it and I am sure that your representations and the figures that you have mentioned are going to help us in arriving at a sound conclusion.

Mr. CUSHING: Thank you very much, Mr. Chairman. We are rather pleased at the informal way this committee has been operating. It has also been a pleasure for us to be here.

The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

Wednesday, May 17, 1950

WITNESSES:

Mr. R. E. G. Davis, Executive Director, Canadian Welfare Council, Ottawa, Ont.

Miss Elizabeth Govan, Canadian Welfare Council, Ottawa, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

WEDNESDAY, May 17, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Horner.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Cannon, Corry, Cote, (*Verdun-La Salle*), Croll, Ferrie, Fleming, Knowles, Laing, MacInnis, Robertson, Shaw, Weaver.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Mr. R. E. G. Davis, Executive Director, Canadian Welfare Council, and Miss Elizabeth Govan, Member of Council's Staff; Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research; Department of National Health and Welfare.

The Chairman filed a reprint from *The Labour Gazette* of April, 1950, entitled "Pension Plans in Canadian Industry", as prepared by the Economics and Research Branch of the Department of Labour. On motion of Mr. Brown it was ordered that this be printed as an Appendix to this day's Minutes of Proceedings and Evidence.

Mr. Davis submitted a brief on behalf of the Canadian Welfare Council.

The brief was taken as read and appears in this day's Minutes of Evidence.

Examination of Mr. Davis followed. Miss Govan also answered questions.

At 6.00 p.m. witnesses retired and the Committee adjourned until Thursday, May 18th, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

62557—1½

MINUTES OF EVIDENCE

House of Commons,
Wednesday, May 17, 1950

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4:00 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The Chairman: Senator Fallis and gentlemen, we have a quorum. A booklet was distributed to you a few moments ago which is entitled "Pension Plans in Canadian Industry". This was obtained from Mr. MacNamara, the Deputy Minister of Labour, and it is reprinted from the *Labour Gazette*. It gives some very good information about the existing private pension plans in Canadian industry. Would somebody move that this be printed as an appendix to today's evidence, without the pictures, of course?

Agreed.

(See Appendix)

Our guests this afternoon are representatives, from the Canadian Welfare Council. They are Mr. R. E. G. Davis, Executive Director of the Council, and Miss Elizabeth Govan, member of the staff of the Council.

Before we start today's proceedings, let me on behalf of the members of the committee congratulate both Mr. Davis and Miss Govan on the brief they are presenting today. It is very complete. It covers the whole field of old age security. I for one have read it with a great deal of pleasure and with great interest. Now, I understand, Mr. Davis, that you have made some last minute changes?

Mr. R. E. G. Davis, Executive Director of the Canadian Welfare Council, called:

The Witness: I am a little timid about this, Mr. Chairman, because I was glancing through your proceedings last night and I noticed at your very first meeting that Mr. Croll made some very caustic comments about people who submit briefs and then change their minds.

Mr. Knowles: Do not mind him.

Mr. Croll: I take it all back.

The Witness: Actually the changes we have made in our submission are not substantial changes, they are mostly detail very largely, some correction of figures, and slight amendments. I will be glad to deal with them if you wish as I go along but I would like the privilege if you would allow it to me of filing this final brief with you in place of the other one for the record.

The Chairman: Yes, this revised brief is the one that will be printed in the record.

Mr. Croll: Suppose we are told about the changes now. Are there many of them?

The Witness: Mr. Chairman, there are small changes throughout the brief that I do not think I should trouble you with. On page 28, there is a rather substantial change which, however, does not destroy the logic of the previous argument. It is simply that we have given a little further detail on the subject of the prematurely aged and we have changed the calculation which previously was

25 per cent of that age group as likely to be eligible to 30 per cent on the basis of some further figures which we secured from the Dominion Bureau of Statistics. Now, I have set out the argument in support of the change from 25 to 30 per cent and unless you want me to rehearse it I will not bother with it.

Mr. Croll: Does that change the $50 million figure?

The Witness: Yes, it changes the figure for the cost of the $40 a month pension for the prematurely aged to roughly $61 million. That is an increase of about $10 million. We have also projected the figures to 1961 and 1971.

The Chairman: But the year on which questions will be asked, is 1951. The brief will be incorporated into the evidence at this point.

SECURITY IN OLD AGE

Brief Submitted By The Canadian Welfare Council

The Brief contains the following sections:

I. Introduction.
II. Social Security in the Modern State.
III. The Needs of the Aged.
IV. Appraisal of the Present Program.
V. Possible Approaches to the Problem of Income Maintenance.
VI. Recommendations for a National Program for Old Age Security.

I—Introduction

The Canadian Welfare Council is a national association of public and private social agencies and of citizen groups and individuals interested in the advancement of social welfare in Canada. Its aim is to help ensure for the people of Canada social services that are adequate in extent, of high quality and soundly administered.

The Council therefore welcomes the opportunity to present its views on the needs of the aged to the Joint Committee of the Senate and House of Commons appointed to study this question and expresses its appreciation of the privilege to do so. The statement which follows was approved by the Board of Governors of the Council on May 8, 1950.

II—Social Security in the Modern State

Before going on to a discussion of the particular subject of old age the Council would like to offer two or three observations about social security measures generally which provide as it were the framework for what is said later.

(1) The first we assume needs no argument here. It is that comprehensive social security measures are a necessity in modern industrial society. Most people today work for wages and as statistics show for relatively small wages. Except for the fortunate few in terms of ability and opportunity they are unable to protect themselves and their families against the major hazards of life. The objection that such measures, designed to provide merely for minimal needs, sap personal initiative and resourcefulness does not stand up under analysis. On the contrary experience demonstrates that well-planned social security programs, by helping to remove the paralyzing fear of unemployment, old age and serious or prolonged illness, actually increase the individual's productivity and usefulness to the community. Although particular cases may be cited where this does not happen they are a tiny fraction of the total group and their number is continually being reduced by more efficient administrative safeguards.

(2) While a sufficient case for adequate social security programs can be made on humanitarian grounds it is important to recognize that there are strong economic arguments as well. Provided they are financed largely out of general

government revenues or by contributions from the general population on the basis of ability to pay and not merely by payroll taxes on the recipients of the benefits, such programs support consumption and thus the demand for goods and services by putting a floor under the incomes of thousands of people who are more certain than any other group to spend the additional income. Such spending may of course constitute an inflationary pressure in periods when the economic resources of the country are under strain to meet other demands, but this is not the normal situation in our economy. The long-run problem is one of utilizing fully the productive capacity of the nation and to this end consumption expenditures must be maintained at a high level and may have to be stimulated by state action.

(3) The financial outlay required for a complete social security program is difficult to estimate. It has been suggested that to apply the Beveridge plan to the United States would require about 8 per cent of the national income and 10 per cent has been proposed as reasonable for a well-to-do country by an official of the International Labour Organization who has specialized in a comparative study of social security systems. Such a yardstick applied to Canada yields a figure at the present time of some $1½ billion, which is close to twice present expenditures.

This is a fact which it is well to have in mind when complaint is heard of Canada's excessive spending on social security measures. In spite of important achievements to date, serious gaps and deficiencies remain in the country's social welfare provisions. How quickly we round out our present system is not essentially a question of what we can afford since most of the items in a social security program do not constitute a drain on the nation's resources but merely the transfer of income from one group to another—the young to the old, the employed to the unemployed, the well to the sick, the rich or comfortably-off to the poor. The real question is one of personal attitude. Do we as citizens really want a comprehensive program and are we willing to devote a considerable share of our freely disposable income to this purpose?

(4) A final observation about Canada's existing social security program is relevant to the immediate question under consideration by the Joint Committee. In a number of countries which have relatively well-developed systems, Great Britain for example, and Australia and New Zealand, a rough estimate would suggest that approximately one-third of welfare expenditures is devoted to the needs of the aged and about an equal proportion to the maintenance of children. Canada by contrast has invested heavily in children's allowances, probably beyond the one-third figure, but government expenditures on old age security are at a much lower level. These comparisons obviously are intended only to be suggestive and the Council has no wish to stress them unduly. At the same time we would remind the Committee of the dictum of Sir William Beveridge contained in his Report, which, it will be recalled, included the recommendation of family allowances: "The provision to be made for old age represents the largest and most rapidly grown element in any social insurance scheme." It seems fair to conclude that some considerable upward revision in present expenditures on old age security in Canada is a proposal deserving of careful consideration in the interests not only of the older population but also of a well-balanced and well-rounded social security program for all Canadians.

III—The Needs of the Aged

As the number and proportion of persons over 65 become higher in Canada, the needs of this group are forcing themselves into the consciousness of the community. For economic as well as for humanitarian reasons it is important that adequate plans be made to meet them.

Self-support

The fear of want in old age haunts people as they grow older. They do not know for how many years they have to provide and, as their working years end, they are forced to rely upon what they have been able to save, or whatever public planning or private charity provides. The more independent they have been in their younger days, the more they dread the humiliation and uncertainties of dependence.

To help dissipate these fears of old people arrangements must be made which will assure at least a minimum pension on retirement, but such provision in itself is not sufficient. What many older people desire most and what they must have if life is to have any real meaning for them is the opportunity to continue in useful employment, and it is the fact that this is denied which is their greatest problem.

Unfortunately today many workers, even as young as 45 years of age, are finding increasing difficulty in continuing in regular employment, and in such cases the chance of having a job in early old age is very remote indeed. Besides long periods of unemployment or of irregular employment in middle life reduce the possibility of a worker keeping his savings for old age, or of adding to them during the period when, with his children no longer dependent on him, he might otherwise be able to do so.

Many people in the age group between 65 and 70 years are capable of productive work, particularly in the line in which they have had experience, sometimes in the same job, sometimes in associated but less demanding occupations. The policy in many superannuation schemes of retiring workers at 65 and the effect of such schemes in preventing the employment of older people, are economically wasteful, and detrimental to the health and welfare of the workers. In Great Britain, it has been found that about two-thirds of the men and half the women who have become 65 years of age since July, 1948, the date the new plan for old age security began to operate, have foregone their retirement benefits and remained in employment. When a country really wants its older people to continue at work many of them do so.

The difficulties with regard to continued employment for older people arise from:

(1) an employer's labour market; that is, a level of production in the country for which the demand for labour is less than the supply. The explanation that unemployment figures are due to an increase in the labour force rather than to a decrease in the number of jobs available offers no comfort to the unemployed;

(2) the fact that where the employer has a choice within the labour supply he wishes to obtain the most productive labour, and that, regardless of many arguments to the contrary, he tends to discount the experience of the older worker in favour of the vitality of the younger;

(3) industrial superannuation schemes, which tend to prevent a company from taking on older workers for whose retirement pensions the contribution of the company is greater;

(4) the interest of organized labour, when there are insufficient jobs, in encouraging the older worker to withdraw from the labour force;

(5) technological changes which may lessen the value of previous experience and skill, and the comparative lack of retraining facilities;

(6) the continuing feeling that Canada, as a comparatively new country, is a young man's world, and the consequent failure to adjust attitudes and employment practices to the needs of the older worker.

The older worker, in our opinion, generally wants to remain in productive work as long as, and sometimes longer than, his physical and mental capacities make this possible. He wants to put off the day when he will be forced to retire from the working world that he knows, when he will be "on the shelf" and no longer feel useful and needed in society and by his fellow workmen. Besides his work may be actually more productive than that of a younger worker who has not this motivation. If his periods of illness are more frequent, his "absenteeism" will be less. He knows he can change less readily from one job to another, and hence he is more bent upon keeping the job he has. War-time conditions demonstrated that many old people, who thought their retirement was necessary, were able to return to full-time employment.

The employment problems of the older worker are closely linked with the planning of the economy to maintain "full employment". Full employment would increase the total national production and the national income; it would therefore at one and the same time increase the demand for the older worker in the labour market, assist him to support himself and to save for his old age, and improve the ability of the nation to finance social security legislation.

Ordinary and Extraordinary Costs of Living

The costs of living for old people or any other group can be divided into two categories:

(1) The costs of day-to-day living, including food, shelter, clothing, recreation, regular medical and dental expenses, etc., and

(2) the extraordinary costs, which cannot be foreseen, in regard either to their occurrence or their amount, and for which it consequently becomes impossible to plan within a limited budget. For the aged, these are particularly large medical expenses, including doctors' and surgeons' fees, hospital care, home nursing, and other services auxiliary to medical treatment, and funeral expenses.

Day-to-day costs should in general be met out of current income. All Canadians should be able to live at least at a minimum standard of health and decency. People can live at a lower "subsistence level" for limited periods of time, if necessary, without permanent damage to their health, but this is not the situation for the old person whose pension or annuity is unlikely to change in amount, although there may be change in its purchasing power. His standard of living for the rest of his life is beyond his power to alter: the pension he receives, therefore, should be sufficient to provide him at least a minimum standard of health and decency.

What is such a minimum standard? This is difficult to define, particularly in a country as large and under conditions as diverse as we find in Canada. We know that people must have:

(1) food which will provide adequate nutrition;

(2) shelter which will satisfy accepted standards with respect to construction and state of repair, sanitary facilities, ventilation, cubic air space per occupant, etc.;

(3) light, fuel and water, unless these are provided under "shelter";

(4) furnishings, replacements, cleaning materials, etc.;

(5) clothing sufficient for health and respectability, mending materials, cleaning expenses;

(6) expenses for personal care such as toilet articles, and haircuts;

(7) recreation, carfare and incidental expenses;

(8) ordinary medical and dental expenses, including household drugs;

(9) insurance, or savings to provide for the expenses of burial.

The expenses of old people may in some regards be higher than those of others; they may not have the physical vitality to travel distances to get bargains; they may not be able to do their own laundry; on the other hand, they need less clothing than persons of working age.

Of the above costs, food is the one which can be estimated most accurately. Nutritionists know what food is necessary to maintain health, at different ages, and according to occupation, and this has been set down by the Canadian Nutrition Council. Among other menus is one considered sufficient to meet the nutritional needs of men and women 45 years and over in sedentary occupations. Persons living within a family group require this basic allowance; 35 per cent is added for persons living alone, and 20 per cent for couples, because of waste and the inability to buy in large quantities and hence at cheaper prices.

At the request of the Canadian Welfare Council, twenty-five social agencies across Canada in April 1950 priced the foods recommended by the Nutrition Council, using the schedules prepared by the Welfare Council of Greater Toronto and published in the "Guide to Family Spending" in 1949. The results are shown in the accompanying table. The costs of feeding an elderly man, as a member of a family group, vary from $15.96 to $23.26 a month, an elderly woman from $14.00 to $19.39 a month; an elderly man living alone with housekeeping facilities, $21.40 to $31.40, and a single elderly woman from $18.90 to $26.18; an elderly couple living together, from $35.95 to $51.18. The lowest figure throughout was provided by the Toronto Visiting Homemakers, with long experience in pricing low cost foods; the other estimates may not always be the lowest prices, but they represent the general prices in those stores which old persons, who are not usually able to hunt for bargains, would be obliged to patronize. The two highest pricings are for St. John's, Newfoundland and for Kosher food, in Toronto. This latter gives an extra cost of 7 per cent because of more costly processing.

These prices come from centres as varied in size as Toronto, Ontario, Moose Jaw, Saskatchewan, Bridgewater, Nova Scotia, and Three Rivers, Quebec. The variations in costs are shown to be unrelated to the size of the town, city or part of the country. The conclusion is that, no matter where a person lives in Canada, with the exception of such places as St. John's and probably certain outlying areas which have not been covered in the survey, the person who has to buy his food in the stores will find only a difference of about $5 a month in the cost. The real difference lies between the person who buys everything, and the person who, living in the rural community, buys from the producer or who can produce some of his own food; few elderly people can do this unless they have assistance.

Shelter is the cost which is most difficult to estimate in establishing a minimum standard. The Canadian Welfare Council asked a number of agencies to give their opinions in regard to the minimum amount of rent it was necessary to pay for one room with housekeeping facilities, furnished and unfurnished. In only one case are these figures the result of a study of rents, but they represent the experience of agencies who are struggling with the problems of finding housing for older people. The variation for a furnished or unfurnished room for a single person at a minimum rent is between $5 and $42 a month; for one room for two persons, $8 to $42. A sampling of old age pensioners known to an agency in Montreal gave the rents paid as ranging from $9.30 to $30 a month with an average of $22.34 for single persons, and $8 to $47 a month with an average of $23.54 for couples. Most of these are furnished housekeeping rooms, and probably many below an acceptable standard. These variations related to the size of the community, and to the degree of housing shortage.

The old person is often considered an undesirable tenant by the landlord; he or she is in the house most of the day; he may require the provision of more heat; he may, through failing health and mentality be more petulant and irritable, and perhaps less meticulous about cleanliness; he may become ill and need help.

Monthly costs Food to provide adequate nutrition(a) for elderly people, April 1950		Living in family group		Living alone		Elderly couple
Centre(b)		M.	F.	M.	F.	M. and F.
Newfoundland:	St. John's	23.26	19.39	31.40	26.18	51.18
Nova Scotia:	Bridgewater	17.46	15.44	23.57	20.84	39.48
	Sydney	17.89	15.69	24.15	21.18	40.30
	Windsor	17.59	15.34	23.75	20.71	39.49
	Truro	16.43	14.58	22.18	19.68	37.21
New Brunswick:	Sackville	17.93	15.61	24.21	21.07	40.25
	Fredericton	19.52	16.38	26.35	22.11	43.08
Quebec:	Quebec	17.54	15.09	23.68	20.37	39.16
	Three Rivers	16.86	14.66	22.76	19.79	37.55
	Montreal	16.94	14.83	22.87	20.02	38.12
Ontario:	Toronto (1)	15.96	14.00	21.40	18.90	35.95
	(2)	17.24	15.14	23.27	20.44	38.86
	(3)(c)	20.66	18.12	27.89	24.40	46.52
	Stratford	17.07	15.01	23.04	20.26	38.50
	Hamilton	17.24	15.69	23.27	21.18	39.51
	Cornwall	17.59	15.78	23.75	22.30	40.04
	Renfrew	18.23	15.87	24.61	21.42	40.90
	Brantford	17.85	15.61	24.10	21.07	40.15
	Kenora	20.08	17.76	27.11	23.98	45.41
Manitoba:	Winnipeg	17.97	15.52	24.21	21.07	40.25
Saskatchewan:	Regina (1)	18.96	16.51	25.60	22.29	42.56
	(2)	18.45	16.17	24.91	21.83	41.54
	Moose Jaw	17.67	15.44	23.85	20.84	39.73
British Columbia:	Vancouver	18.23	15.61	24.61	21.07	40.61

Note: (a) following the standard set by the Canadian Nutrition Council, as used in schedules prepared by the Welfare Council of Greater Toronto. (b) a few returns were not included as they were computed differently. (c) this estimate is for Kosher food.

If he can persuade a landlord to accept him at all, he is likely, because of his limited income, to have the least desirable room in the establishment. Yet he must have shelter and has no choice but to pay what is demanded of him. If the amount is high in proportion to his income, he will have to economize elsewhere, and probably in food.

Clothing costs, like those of food, can be considered fairly uniform across the country, particularly in view of the mail order businesses. Clothing needs differ to some extent, because of climatic conditions, and because of the demands of living in urban or rural communities. The annual cost of clothing for a man over 60 years of age was estimated by the Welfare Council of Toronto to be $55.81 in June 1949, and for a woman, $79.22. Personal care was similarly estimated as costing $9.93 for a man and $13.07 for a woman for a year.

According to these Toronto estimates, we can compile a rough budget for a minimum standard of health and decency for an elderly person:

	Living Alone		
	Elderly Man	Elderly Woman	Elderly Couples
Food: (Toronto, April 1950)	$ 256.80	$ 226.80	$ 431.40
Clothing: (Toronto, June 1949)	55.81	79.22	135.03
Personal Care: (Toronto, June 1949)	9.93	13.07	22.00
	$ 322.54	$ 319.09	$ 588.43
Recreation, carfare, incidental expenses ($1 a week)	52.00	52.00	104.00
Shelter, including light, fuel, water	?	?	?
Medical and dental expenses, household drugs			
Burial fund			
Cleaning materials, etc., household replacements			

With no allowance for the last three items, the amount remaining for shelter, for old people with no income beyond the present $40 a month old age pension, would be:

Single man: $105 a year or $8.75 a month;

Single woman: $109 a year or $9.00 a month;

Couple: $268 a year or $22.00 a month.

From these figures it is obvious that, except in small communities, pensioners with no outside income are now living below a minimum standard of health and decency; all the more so when it is remembered that the food pricing for Toronto was low in comparison with that in other cities.

No estimates were made for medical and dental expenses since in some provinces these services are provided for pensioners; nor for "Burial Fund", although any one who has worked with old people knows how important it is to them that they should have provided enough from their own resources for "a decent burial".

Shelter, as indicated above, is the cost which shows the most variation, and no estimate is made for it either. The problem is a baffling one. Present day houses and apartments leave less room for the old person to become part of the family group of a married child. High rents and inadequate incomes force many to apply for admission to institutions, who would be happier, and more cheaply provided for elsewhere in the community. Some find a place in mental institutions or hospitals where they receive unnecessarily expensive care and use accommodation needed for other persons. Most old people who are in reasonably good health prefer to live as members of the community, by themselves, or with families, and it would be more economical if they could do so. More attention should be given to the provision of shelter at a reasonable cost for individuals and couples through: the inclusion of units adapted to their needs in public housing projects; the building of houses with self-contained quarters for older people attached to the family accommodation; co-operative houses with housekeeping facilities; and the use of "foster homes" for those, who, not ill enough to require hospital or institutional care, require some supervision because of their failing faculties. The housing of the aged is part of the larger problem of housing for the whole population, but it requires particular attention in any attempt to provide a minimum standard of health and decency.

In regard to the "extraordinary" costs of living, provision should be made to relieve older people of the burden of such expenses, either through free services, or through pre-payment plans which divide the risks among the whole population. The needs of the aged for medical services may be proportionately heavier, and hence there is an argument that, if such services cannot be provided for the whole population at an early date, they should be furnished in the first instance for older people who are not able to incur debts with any expectation that they can meet their obligations later. In some of the provinces, and to varying degrees, provision is now made to supply medical care, drugs and hospitalization to those in receipt of old age pensions: this policy should become general. The possibility of expense for such services, and for home nursing, probably prevents relatives or friends in many instances from taking old people into their families. It may also induce some old people to live in institutions. If home nursing and medical care were available, or if a sufficient number of nursing homes were provided, the need for institutional and hospital care would be reduced substantially. As it is now hospitals are often used inappropriately to house the chronically ill for whom no other facilities are available, with the result that the acutely ill are deprived of the accommodation and treatment they urgently require.

One comparatively small centre reports that an average of about 35 persons not in need of medical care are living in the two hospitals because no other accommodation is available for them. The pensioner pays $35 a month to the hospital and the municipality makes up the difference between this and $4.50 a day.

A proportion of old people require institutional care. Where this need is the result of a physical or mental condition, it should be met by the proper hospital rather than through special institutions for the aged. For others, whose need is due largely to their age, small home-like establishments should be developed of a type rather different from most of those available in Canada today.

Old people also need recreation, and opportunity for the development and practice of educational and cultural interests. This should not be forgotten in whatever plans are made.

Above all we must remember that old people, like all of us, are individuals. They face old age in varying ways, depending upon their life experiences, their health, their mental capacity, and the personality which has developed throughout the years. Each has to make his adjustment to the limitations which declining physical and mental abilities may impose on him; the radical change in his living which retirement enforces; the prospect of declining health and possible invalidism which lies ahead. Many become less flexible in their ideas, and resent the new ways of later generations. Many feel rebellious, because the ambitions of youth have never been fulfilled. Many live upon their memories of happier times, clinging to the possessions with which their memories are bound. Many fight to retain their independence, because of their fear of growing dependency. All the unsolved problems of youth and adulthood come to the fore, forced forward by the fears and anxieties regarding an uncertain present and an unknown future; much more evident because of decreasing self-control. Age brings increased emotional problems for many, and social case work services must be available to help them. Those who work closely with old people need to be trained to understand and to know how to help.

The provisions we make in regard to income maintenance, housing, shelter, recreation and finance must all take into account the fears and anxieties which old age brings, the desire to remain independent, the desire to be surrounded by one's own possessions in a community with which one is acquainted; the concern about change, the worry about details, the desire to be useful and occupied, and the limitations imposed by physical and mental decline.

The Responsibility for a Complete Program

Full responsibility for the welfare of old people cannot be borne by one government authority or even by a number of public authorities to the exclusion of private agencies. The program involves the co-operation of those departments of government which are responsible for income maintenance, employment, rehabilitation, medical care, housing, recreation, institutions, hospitals and case work services; of private agencies in regard to each of these in different degrees, except in the field of income maintenance; and of the citizen body in their attitude to old people and in their acceptance of their rights.

The federal government has already accepted major responsibility in the area of income maintenance, sharing this with the provinces, which carry a larger part of the load than is generally recognized because of supplementary assistance and services and the costs of administration. Federal, provincial and municipal governments must accept more responsibility in other areas, through their own programs, through the encouragement given to private agencies and through the interpretation of old age needs provided to citizens generally.

The present brief is focused upon the problem of income maintenance, but it must be stressed that this is only one segment of a complete program for the welfare of the aged. Income maintenance it cannot be too much stressed, includes the continuation in employment of many older workers, as well as the question of pensions.

Appraisal of Present Program

We are aware that the Joint Committee has already been provided with information in detail about the present system of Old Age Pensions, and has

in mind various questions in regard to its strengths and weaknesses. We should like to draw attention merely to a few considerations which in our view should be taken into account in the formulation of a new program, or in a decision to modify the present one.

The present program, based upon a means test, has the advantage of providing financial assistance to those who need it most, within the limitations imposed by the eligibility requirements. Hence the amount of money spent is paid out to those in greatest need. Also the sequence of amendments to the original act shows that gradual improvements are possible within the existing structure to meet changing needs and changing public opinion. Further, it has been demonstrated that the increased expenditure involved in such improvements can be gauged fairly closely so that there is little danger of the federal or provincial governments running unwittingly into exorbitant expenditures. The fact that the plan is financed on both the federal and provincial levels from consolidated revenue has meant a simple adjustment to increased costs, and to the extent that the ordinary tax structure is progressive in its incidence, no unfair burden is placed upon persons in the lower income brackets.

On the other hand, a number of defects are evident in the present system. The eligibility requirements need to be modified in a number of ways, and certain changes in administration are desirable.

The total allowable income is too low. Since the increase in the rate of the pension from $30 to $40 was made in 1949 without a corresponding increase in the total allowable income, it assisted those with low "outside" income, but not border-line cases, who were suffering under the increased costs of living. At the present time, the amount of "outside" income is only $120 a year both for a single person and a married couple. Such a small amount makes it necessary to reduce pensions below the maximum for items which seem to the pensioner and to the public quite trivial, and which complicate the problems of administration. If the increased cost of living justified the increase in the maximum pension, it seems logical to conclude that it would have justified an increase also in the amount of allowable income. As things stand people who have been able to save to a small extent and to accumulate funds which, calculated as government annuities, will yield them an annual income of from $120 to $600 a year ($1,080 in the case of couples) are penalized in a way which cannot but discourage saving on the part of those who can only hope to accumulate funds of this size.

The period required for residence is too long. Communities today will not allow people to suffer seriously from want. Any who come to Canada and are permitted to remain here will have to be provided for in some way if they are in real need. Those whose need is due to their age are more logically cared for in a program for the aged rather than by other assistance programs.

The age requirement excludes many who should be cared for through a program for old people. There are many prematurely aged or incapacitated between the ages of 65 and 70 who have been forced to retire from employment or who find it extremely difficult to obtain employment suitable to their physical and mental conditions. These people are in a position very similar to that of the older age group. Old age cannot be defined rigidly in chronological terms.

Indians and Eskimos are specifically excluded from the provisions of the Act. It has been found possible to pay Family Allowances to these groups. They should not be discriminated against under the Old Age Pension Act.

From the administrative point of view, simplification in the procedure for estimating income is desirable, and would result in relatively little difference in the cost of pensions granted. If additional items, such as contributions from children, casual earnings, or small pensions from other sources were ignored in calculating the allowable income, the investigational process would be much

less involved, and hence would avoid much of the resentment now associated with the application of the means test. The administrative cost is out of proportion to the amount of money saved by the reduction of the pension. In some provinces caveats or liens are registered against the property of the pensioner, and claims made against the estates of deceased pensioners in certain instances: both these procedures, which net little in the way of return, cause considerable resentment and give rise to the criticism that the pension is a loan rather than a grant. They add to the stigma attached to the means test. There is also some inequity in the fact that these regulations are not applied uniformly by all provinces. Differences also appear in regulations regarding the evaluation of shelter and board given to pensioners by relatives, and in the average amount of pensions paid in different provinces.

It has been suggested that these differences are indicative of the flexibility of the program and its adaptability to varying local conditions but, since the federal government is providing such a high proportion of the cost, it seems only fair that old people throughout Canada should receive more nearly equal benefit than at present. Besides, in many of the provinces, little attention has been given to securing suitable qualifications on the part of field officers to whom the delicate task of administering the means test is assigned. If the Federal Government continues to delegate the administration of the program to the provinces, in our view it should be given power to require standards and a desirable degree of uniformity; the alternative is for the Federal Government to administer the Act itself.

The Council as will be indicated in the next two sections favours substituting a different program for the present one. Should our proposal prove unacceptable for financial or other reasons we would recommend as our second choice a continuation of the present plan, adjusted to correct the defects suggested above. For us this has an advantage over other alternatives in that it makes possible a decision favourable to our recommended program at a later date.

V Possible Approaches to the Problem of Income Maintenance

Three main approaches may be suggested to the problem of income maintenance in old age:

(1) The first of these is through a system of insurance which attempts to relate benefits more or less closely to the rate and period of contribution. This is the traditionally approved plan instituted first in certain European countries and adopted as late as 1935 by the United States. Its chief advantages claimed for it are that by relating benefits to contributions it encourages a sense of personal responsibility, that it gives the assurance of benefits being forthcoming when due and that it protects the public treasury against excessive demands. On the other hand such a scheme suffers from a number of serious limitations. For one thing without heavy government subsidies which deny the central principle of the program, older people for as long as three generations will not secure an adequate retirement allowance. There is also the great difficulty of making coverage universal and the fact that, even if this were administratively possible, substantial grants from general revenue would still be required to provide adequate pensions for people in the low income brackets which is again a departure from the self-help principle. Moreover, such a program with millions of individual accounts and calculations is expensive to operate and, if orthodox methods are followed, involves creating a large reserve fund with its attendant investment problems. Finally, so long as only part of the population is covered, and this not necessarily including those in greatest need, there is the question of equity connected with support from the public treasury of a program from which all citizens do not stand to benefit.

For these various reasons the Council is not disposed to commend this type of program, at any rate as the country's main reliance for meeting the financial needs of old people. If it is adopted at all it should be as a supplementary measure financed jointly by employers and employees to provide additional protection for wage earners.

An argument for such a plan is that it could be integrated with existing industrial pension schemes which now include about a million workers and thus correct the serious limitation of most of them which prevents the worker from transferring his full pension credit when he moves from one place of employment to another. Whether such a plan is introduced or not, it is suggested that it would be desirable for the Government to give substantial encouragement to all citizens to provide more adequately for the period of old age through their own efforts.

(2) A second alternative is to continue the present means test program with the changes indicated earlier, the chief of which would lower the age limit for certain persons and increase the total allowable income.

Such an approach has the advantage of ensuring that the funds available would be spent where the need is greatest. However, it maintains the means test principle which is resented by most Canadians as a method of dealing with the needs of self-respecting older people and has the further disadvantage of discouraging thrift and production on the part of persons in the considerable section of the population likely to benefit by the pension.

The Council, after careful consideration, has rejected this alternative. So long as the means test is continued the basic philosophy of the program is untenable, whatever other modifications are introduced. Moreover if present provisions are relaxed and broadened the cost of the program soon begins to approach the point where for a little more the greatly preferable approach indicated below could be financed.

(3) The third approach to the problem of economic maintenance for aged people is through a flat rate pension payable at a given age to every one able to satisfy a minimum residence requirement. Such a plan might be financed (*a*) entirely out of consolidated revenue as proposed by the Federal Government in 1945, or (*b*) in whole or mainly through an ear-marked social security contribution. Pensions would be paid as of right at age 70 and also to persons between 65 and 70 who by reason of infirmity or "premature old age" have become unemployable. The amount of the pension would be sufficient to provide a minimum standard of living for the great majority of beneficiaries. Persons in receipt of pensions would be required to make income tax returns and the tax would be such as to remove the amount of the pension by graduated amounts from those whose total incomes are above the level of health and decency.

This approach to benefits commends itself to the Council. Like Family Allowances the plan is simple to administer, and since it operates on a pay-as-you-go basis, does not involve the creation of a large reserve fund. It avoids the indignity of the means test, which in any strict sense should not properly be applied to people who up to the period of old age have provided for their day-to-day needs. Finally, it is an open-and-above-board system. Government subsidies are not concealed as is often the case under "insurance" plans which create the false impression that the beneficiaries have provided for themselves. The plan is one of social security in the true sense through which persons contribute according to their means in order to provide a floor of protection for those who need it.

VI—Recommendations For a National Program For Old Age Security

The Canadian Welfare Council recommends that the Federal Government pay a flat-rate pension to all persons 70 years of age and over to those between the ages of 65 and 70 who are prematurely aged,

1. The pension should be available regardless of income, thus eliminating the means test.

2. The pension should be at a rate which will enable the majority of persons to whom it is payable to live at a minimum standard of health and decency without financial supplementation. This rate should be based upon a careful study of the cost of food, shelter, clothing, et cetera; it should be set at a figure which makes supplementation in additional amounts of money necessary only for a small proportion of the persons in the highest cost of living areas.

Arrangements should be made for a review of the amount of the pension every three or five years.

Pending such a study, the immediate rate should be set at least at the present figure, of $40 a month.

3. The pension should be paid as of right to all who have reached the age of 70 years, or who, being at least 65 years of age, are "prematurely aged", and retired.

In regard to persons 70 years and over, it can be assumed that very few are physically and mentally capable of regular employment, and the pensions should therefore be given to all members of this group, whether working or not.

In regard to persons between the ages of 65 and 70 years, pensions should be available only to those who are considered physically or mentally unable to take full-time employment to the dependent spouses of such persons if they are also between 65 and 70 years. A considerable proportion of this age group are still capable of performing useful remunerative work and should be encouraged to do so. The pension at the rate suggested wiill in most cases not be sufficient to encourage those capable of working to leave their employment in order to receive it, and it is our conviction that old people, with few exceptions, wish to continue to work in order to feel useful, as long as they are capable of doing so. Once the person has qualified for the pension in this group, it should be assumed that he will continue to be eligible because of the nature of the diagnosis.

The determination of "premature old age" is a difficult procedure but not impossible. Proof of permanent disability is already required for mother's allowances, workmen's compensation claims, military pensions and war veterans' allowances, and in some countries for invalid or disability pensions. The difficulties in determing any such disability are fully recognized, but if the need of this group for assistance is accepted, those difficulties must be faced. Old age cannot be determined by an arbitrarily set chronological age; consideration must also be given to the individual's physical and mental condition.

Medical evidence seems to us the most satisfactory method of determining premature old age. It may be necessary in the beginning, in order to gain experience in administration, to define somewhat arbitrarily the conditions which will enable the person to qualify. As experience grows, backed by research in geriatrics, it should be possible to broaden the definition.

4. A residence requirement, possibly of five years, would be necessary, partly to discourage an influx of persons from other countries, and also to avoid the possibility of entrance restrictions being imposed which would prevent elderly people joining relatives in Canada. At the same time the legislation should allow for reciprocal arrangements with other countries.

5. The pension should be paid to Indians and Eskimos, with arrangements for payment in kind in the limited situations where this is necessary.

6. Veterans in receipt of war service pensions should be eligible for the pension on the same terms as civilians. Where veterans become eligible for the universal pension, they should cease to be eligible for that amount of the war veterans' allowances.

7. The plan should be administered directly by the Federal Government.

8. The proposed program should be financed (a) to a major extent through an earmarked social security contribution, or (b) out of Consolidated Revenue, or (c) through some combination of these two.

If the device of a social security contribution were employed, payments should be required from all persons with an income over the amount considered necessary for a minimum standard of living. Contributions should naturally be levied on a basis which would take account of ability to pay.

9. The program should be on a "pay-as-you-go" plan. In order that the rate of taxation or contribution would not have to be varied annually, a rate should be set which will provide, averaged over a period of years, the amount necessary to pay the benefits. This amount can be calculated with considerable reliability, after the first year or so of operation.

10. Persons receiving pensions should be required to submit income tax returns annually. Through a modification in the present deduction for persons 65 years and over, and the application of revised rates, the amount of the pension should be progressively recovered, beginning at the point where the individual's income provides more than a minimum standard of living.

11. The following table gives an estimate of the cost of the above plan over the next 20 years:

	1951	1961	1971
Population 70 and over	674,500	869,300	1,042,100
Population 65-69 years	426,900	503,200	587,900
30 per cent	128,070	150,960	176,370
Cost of $40 a month for persons 70 +	$323,760,000	$417,264,000	$500,208,000
Cost of $40 a month for "permaturely aged" 65-69 years (estimated at 30 per cent age group)	61,273,600	72,440,800	83,257,600
	$385,033,600	$489,704,800	$583,465,600

In these projections of cost various factors must be considered:

The estimates of population may be low as the improvement in health and in medical care over the last few decades and in the future may increase the number in the various age groups.

The estimate of the "prematurely aged" is something better than a guess. According to Dominion Bureau of Statistics estimates the total population 65 to 69 years in 1951 will be 427,000, of which 224,000 are men and 203,000 women. On the basis of 1941 experience 70 per cent of the men will be employed, leaving 30 per cent or 67,000 as the maximum in the unemployable group. It can also be estimated that of the women 55,000 are the wives of gainfully employed men and 16,000 will be employed themselves, which deducted from the figure of 203,000 leaves 132,000. Of this latter number 24,000 are the wives of unemployable men and will therefore be entitled to pensions, but it may be assumed that half of the remainder will have income of their own from insurance or other sources and therefore will not wish to undergo the medical examination necessary to establish eligibility This yields an estimated maximum of women receiving pensions of 78,000. Adding the 67,000 "permaturely aged" men to the 78,000 eligible women without income or spouse, we get a maximum total of 145,000 or approximately 34%. It seems a reasonable assumption that with better employment practices for this age group the number could be brought below 30%, which is the basis of the Council's calculations.

The pension is taken as $40, pending the suggested study of the adequacy of this amount to provide a minimum standard of health and decency. Since costs of living change, no estimate can be made of its adequacy in 1961 or 1971.

Similarly, although it is possible to determine how $385 million could be raised in 1951, many factors enter into any consideration of the provision of funds in future years. Productivity in the Canadian economy, output per man hour, has been increasing over a considerable period of years at an average rate of something like 2% and there is at least a pressumption it will continue to do so. The labour force also is expanding which, assuming a policy of "full employment", will increase the national income. On the other hand we cannot foresee what periods of depression lie ahead, or in our uncertain world can we estimate the increased demands, for defence and other necessities, that will be made on the public treasury.

The inability to predict circumstances in the distant future is a strong argument for "pay as you go" financing of a program which, in the absence of a contractual relationship between present contributions and future payments, can be varied as required in the light of changing conditions, attitudes and resources.

12. The Council realizes fully that the expenditures required immediately to finance its proposed program, $385 million for 1951 as compared with an estimate of $138 million under the present system, are substantial. They are not, however, in our view more than are necessary to meet the need or than Canadians would be willing to devote to the decent maintenance of our older citizens. Besides, there are two or three qualifying considerations which should be kept in mind:

(1) The mood of the country, of provincial governments and of the Dominion Parliament is to improve present provisions for old people; and whatever is done in this direction is bound to increase expenditures. The only valid comparison, therefore, is between costs under the Council's plan and whatever alternative is being considered.

(2) Needy people in the older age group, not provided for under the present system, are being cared for somehow: by municipalities as indigents, by relatives, or by private charity. These costs obviously are not included in the $138 million figure but many of them would be in the $385 million.

(3) Part of the cost of the pension proposed by the Council will be recovered through an adjusted income tax structure. We are not in a position to say how much but it might well be considerable.

(4) There can be an additional saving in the cost of pensions if the Federal Government will maintain economic policies such as to ensure a demand for the services of older workers in the labour market.

(5) Finally, there is the consideration that the Council's proposal as contrasted with the present program will not discourage thrift and saving. The advantage of this to the economic life of the nation cannot be calculated but some allowance for it should be made in comparing the net costs under the two systems.

13. The plan here proposed is only part of a wider program for the aged. Financial security on retirement is an essential part of the plan, but, as we have emphasized throughout, it should be accompanied by a program which will keep older people in employment, and maintain them, to the greatest degree possible, in a physical and mental condition to engage in useful work.

Under the Constitution the direct provision of medical care lies within the jurisdiction of the provincial governments. With the Federal Government relieving the provinces of any financial responsibility for the pension, as proposed in the Council's plan, the latter would be better able than at present to provide medical and other services.

In addition, however, the Federal Government through the national health grants program is in a position to encourage the provinces to give more attention to the medical care of the older section of the population, and as well to research in this field.

We have suggested that the amount of the pension should be set at a minimum standard to cover the day-by-day cost of living of aged persons. In the high cost of living areas, this amount will require to be supplemented, particularly in regard to shelter. We suggest that this latter need can best be met through housing provisions, rather than through additional monetary allowances. Areas in which the cost of shelter is particularly high are generally those in which the problem of housing applies to the whole community, and in a more inclusive program the needs of aged persons for suitable shelter at rents within their ability to pay should find a normal place. The Federal Government should be expected to see that special provision is made for old people in the public housing projects to which it contributes.

We are also concerned about the institutional needs of certain groups of aged persons, and about recreational and counselling services, as component parts of a complete program. We should like the provincial governments to take the initiative in developing through their own efforts or those of local authorities or private agencies, the additional services which old people require.

With respect to all of these supplementary programs, there is a need for technical consultant service which is in short supply and which in any event all of the provinces cannot be expected to provide. It is our view that such service should be available to the provinces from the Department of National Health and Welfare in the same way that it now offers the help of consultants in the various fields of health.

14. We should like to draw special attention to the necessity of adequate general assistance programs under local and provincial auspices to assure supplementary aid to those old people whose needs are not fully met by the regular pension. Such programs are an indispensable element in a total system of social security as a means of providing residual assistance for individuals regardless of age who, because of particular circumstances, are not sufficiently provided for otherwise. At present general assistance is unevenly available throughout Canada and the Council would like to record here, as it has on other occasions, its belief that conditional grants by the Dominion to the provinces, designed to raise existing standards in this area, are urgently required.

15. Fundamental to the success of any program for the aged is qualified personnel. In the administration of the old age pensions plan proposed herein, social workers are needed at certain points, particularly in regard to problems which will arise in the determination of elegibility of persons between the ages of 65 and 70. They are also essential in other aspects of the program, such as rehabilitation, shelter, institutional care, recreation and case work services. The existing shortage of trained workers is a definite handicap in all of these areas which is a situation calling for the rational use of the available supply and for government support of training programs.

This, in outline, is the Council's proposal. Many matters of detail remain to be worked out and some important decisions, particularly with regard to methods of financing, can only be made in the light of fuller knowledge than is available at present regarding the size of the load and the costs involved.

However, it is our conviction that the recommendations herein put forward are fundamentally sound. The Canadian people have made it unmistakeably

clear that they want to provide decently for their older citizens. They dislike the present system with its investigation of means and its penalty on thrift and continuing employment. This leaves us with two alternatives:

(*a*) A system, incorporating some of the concepts of private insurance, which has the advantage of requiring people to make regular provision for their own retirement but is costly and complicated to operate and, if it is to provide at all adequately for those in the lower income groups, calls for such an amount of government subsidy that the insurance principle is virtually denied; and

(*b*) the system advocated in this submission which places upon each succeeding generation, without evasion or camouflage, the burden of providing according to its means and desires for those members of the community who are not able to provide for themselves.

We propose this as the best approach to the problem of the economic maintenance of old people. It has been used already in the program of family allowances, financed in that instance out of consolidated revenue. We suggest that later on when the time comes to consider other social welfare measures or to reconsider some of those now in existence the basic principles of a pay-as-you-go system may find wider application.

(*End of brief*)

Mr. BROWN: May we not have some idea as to who the Canadian Welfare Council is, how they are constituted and so on?

The CHAIRMAN: We will be coming to that in a moment, Mr. Brown.

The WITNESS: There are two other changes: on page 25, at the bottom of the page, again dealing with this age group 65 to 70, you will notice a sentence beginning: "In regard to persons between the ages of 65 and 70 years . . . considered physically or mentally unable to take full-time employment." This should be added: "and to the dependent spouses of such persons if they are also between the ages of 65 and 70." That was omitted in our brief.

And finally, there is a little summary section which I will not trouble you with at the end, on page 32, just to give a tail to the brief we have briefly recapitulated the argument in a summary section.

The CHAIRMAN: Now, would you care to answer Mr. Brown's suggestion?

The WITNESS: May I first of all make reference to Miss Govan, who is here with me. Miss Govan is one—

Mr. BROWN: How do you spell her name?

The WITNESS: G-o-v-a-n, Elizabeth Govan, but we call her Betty. I merely wanted to say this further about Miss Govan: not only is she one of the most valued members of our staff but she has been largely responsible for the preparation of the document in your hands. She is here today, I think, partly to see that I do not muff too many of your questions and perhaps to field any wild answers that I happen to give back.

Now, the Canadian Welfare Council, while it is a central clearing house, is if you like, a trade association for public welfare departments, for community chests, for private voluntary social agencies, French, English, Catholic, Protestant, Jewish, right across Canada. You will see therefore that it represents quite a wide body of interested people. In addition to those what you might call social work groups, it also contains in its membership a considerable number of citizen groups, boards of trade in some instances, labour unions, women's organizations who have some interest in welfare, and in addition to that, there is a considerable number, I think about eight hundred individual citizens who are attached to the council. I may say this further about our organization, Mr. Chairman, that ordinarily in a matter of this importance we would not submit

a brief without more consultation than has been possible in this instance. Due to the pressure of time it has not been possible for us to send out this brief as we should like to have done to our members across the country and to invite and secure their comments and criticism. The brief was approved, as you have seen in the foreword, by our board of governors on May 8 but it has not had the discussion we would like it to have had on the part of our members themselves.

Are there any other questions about the organization? We are a voluntary organization but we do include public as well as private agencies in our membership.

The CHAIRMAN: Are there any other questions on the organization?

Mr. FLEMING: You are willing to have members of parliament as members at $5 a head?

The WITNESS: Yes, we would like to have more of them, also an increase in the government grant. We have been working on that for a long time with only indifferent success.

The CHAIRMAN: You asked for it, Mr. Fleming. You are not working along with your leader in trying to get the estimates down.

Mr. FERRIE: What about economy?

The WITNESS: Economy means you put money where it will bring the best return.

Turning to the brief, I want to say this that while the brief represents the best thought of our organization it is not at all put forward here in any dogmatic spirit. Rather, we intended a contribution to the very thoughtful inquiry which your committee has been carrying on over six weeks now into this very complex and difficult question of how to provide for the economic maintenance of our older citizens.

We will be prepared, of course, or shall endeavour to defend the particular recommendations that we have made but I would like to emphasize that we come here today not merely to testify but to learn from the discussion what we can about the best approach to this question. Now, I am not quite sure what you would like me to do, Mr. Chairman. You all have here the brief in front of you. I have sat in the back of the room on other occasions and have watched the procedure. Would you like me to run hurriedly through it?

Mr. CROLL: Let us ask questions; we have all read the brief.

Mr. FLEMING: I would suggest the place to begin is on page 25 with the detailed recommendations there set out in sequence, and if you, Mr. Chairman, will call them one at a time I think that will allow us to have a very orderly presentation.

The CHAIRMAN: Yes, I thought we should do that, Mr. Fleming, and we will go over it that way. That is the last chapter in the brief. If we have any time left we could question with a view to getting some more information about some very interesting data that are given in the first chapters. Of course, the committee, you will realize, Mr. Davis, is merciless and is more interested in establishing what is of immediate interest; we are more interested in the last part in spite of the fact that your first five chapters contain a lot of information, and very complete information, in my opinion.

The WITNESS: I think the chief value of the earlier chapters for this final chapter is that they provide the basis for our conclusion, that is, we came to the conclusion that the type of program we are recommending is the best type of program after examining alternative approaches.

Now, you have been doing that in the committee itself. We have been simply going through in an inadequate way what you have been doing very

thoroughly here under Dr. Davidson's leadership, but we do dismiss the present program because of certain defects and we do dismiss a certain type of insurance program. We felt that that second system to the extent it is an insurance program does not do the job, and to the extent it does the job should not be called insurance. So that we therefore came to the conclusion that the type of flat rate program that we have suggested is preferable to either of the others.

The CHAIRMAN: Is it agreeable to members of the committee that we follow Mr. Fleming's suggestion that we turn to page 25 and that I call section by section starting with No. 1?

Carried.

No. 1 on page 25 calls for the abolition of the means test.

Any questions on this?

By Mr. Croll:

Q. Let me say this: the first and second are intertwined. Your recommendation is that there should be a universal pension for all persons 70 years of age and over of $40 a month to be reviewed every three or five years. That is your proposition, is it not?—A. That is right.

Mr. FLEMING: That is one and two.

The CHAIRMAN: Let us deal with one and two together, it would be easier.

Mr. LAING: The great difficulty is going to be found in the provision for those prematurely aged. What means test is going to be provided?

The CHAIRMAN: You are on three, Mr. Laing.

Mr. LAING: No, I am not.

The WITNESS: He is on the introductory sentence.

Mr. CROLL: That is why you won't be able to hold it, Mr. Chairman. I do not know how you can.

The CHAIRMAN: We can try at least.

Mr. SHAW: If you take the preamble, you are taking the whole thing.

The CHAIRMAN: That is why I did not mention it. I went to one.

Mr. FERRIE: The first sentence at the head of one takes in the whole page.

The CHAIRMAN: Why should we lose much time on procedure? Are there any questions on one and two?

By Mr. Fleming:

On No. 2 I would like to hear a further statement from Mr. Davis on the subject of the advantage of the flat rate payment over the weighted or insurance payment. We have had briefs on both sides. Would Mr. Davis care to add something to this argument here for our information?—A. The view we have taken is that what we need in Canada is a social security program based on human need. It would be very desirable to maintain the present standards of living. People in our class do not want to go down to $40 a month. But so far as the nation's responsibility is concerned, it seems to us that the first responsibility of the nation is to provide that basic floor for everybody, and then to leave it to individual initiative to go beyond that floor so far as individual citizens are able to maintain their present standards.

Q. It has been a feature of all the suggestions so far about a contributory scheme on the insurance basis that there should be that floor. I take it your view is that the function of the pension plan would be to provide the floor and no more?—A. That is right.

Q. And beyond that it is up to the individual to provide his own security by his own savings?—A. Until everybody has bread, anybody who wants cake had

better get it for himself. The social security program essentially has as its objective to provide a floor. When you get an insurance program, you begin to get a differential which takes some members of the group above the floor.

By The Chairman:

Q. And others below the floor?—A. And others below the floor. We are interested in the floor.

By Mr. Fleming:

Q. It has been a feature of all these proposals that there should be a floor. There has been a floor in every case. You do not believe it is the function of a pension plan to provide anything more than a floor?—A. We did suggest in one part of the brief that there may be a place in a total Canadian system for a supplementary form of insurance wherein the government will not be involved, but that the government—our point is that the government's responsibility is to provide this basic floor for citizens. If they can facilitate it by some kind of central operation, some secondary fund which will tidy up the pensions in present industrial pension plans, we would have no objection to it. But we feel that the first responsibility of the government should be to see that everybody gets that floor which we take it to be would be the minimum necessary for health and welfare of the citizen.

Q. I read your brief as going beyond saying it is the first responsibility of government, and as saying, really, that it is just about the limit of the responsibility of government in this field of pensions, the provision of that basic floor?—A. That is all we are concerned about in this brief.

By Mr. Croll:

Q. Let us assume that $40 is the floor in a small town in Saskatchewan. You say that is what he needs as a basic pension. Well, then, how do you compare that with the needs for a man let us say in the city of Toronto or in Vancouver, or in a small village in Newfoundland?—A. I think we would have to recognize that no flat rate pension can at the same time meet the varying needs of all citizens in a country as large as Canada, with all the variety of circumstances, and the varying cost of living in the various communities. Therefore we have tied in with this main proposal of the flat rate pension, as you will notice on page 31—I hope it is page 31 in your copies—I think it is No. 14—what we consider to be a very important recommendation.

We would like to draw special attention to the necessity of adequate general assistance programs under local and provincial auspices to assure supplementary aid to those old people whose needs are not fully met by the regular pension. We say that such programs are an indispensable element in a total system of social security and we further reiterate what we have said frequently before that we think that the situation with regard to general assistance programs in Canada is far from satisfactory, and that the federal government should accept as one of its responsibilities the jacking up of these general assistance programs under provincial jurisdiction by some kind of incentive grants. In addition, there are further recommendations. I think 13 and 14 are the two main ones which indicate other services which will be needed by old people in the way of medical care, institutional care, housing, and so on. Thus it will be a basic pension plus certain services, plus general assistance.

By Hon. Mr. Horner:

Q. If you should vary the amount of pension as between one province and another or as between one city and another, would you not have large numbers of people moving into the area where the greater pension was payable?—A. You would have a great many problems.

By Mr. Brown:

Q. You are affiliated with social service organizations all across the country?—A. That is right.

Q. You are the clearing house for them?—A. That is right.

By Mr. MacInnis:

Q. You are not affiliated with them. Rather it should be: they are affiliated with you.—A. They are affiliated with us. That is right.

By Mr. Brown:

Q. Well, they are affiliated somehow. You have a connection?—A. Yes.

Q. And as such you have information brought to you from all across the country. And it is your opinion that $40 a month would be sufficient on the average to cover the basic needs of the aged people of Canada?—A. Mr. Chairman, that is discussed in one of the previous chapters rather extensively under Needs of the Aged. I think it is chapter 3. Miss Govan has done a great deal of work on this subject. We have had groups across the country price foodstuffs; and I would be the last to say that $40 in our judgment is an adequate amount.

Q. I said merely a basic amount to supply basic needs?—A. We propose $40 pending some more scientific studies than have been made up to now as to what would be a proper basic amount.

Q. Your idea is that of a universal scheme in which there would be at least $40 paid to every individual as of right?—A. Yes.

Q. And in addition to that, there would be provincial or municipal schemes set up to take care of additional need?—A. I would not like to emphasize the $40.

Q. Well then, call it $X.—A. The principle in mind was this: that the basic pension should be set sufficiently high so that only a fraction of the population would require financial supplementation to maintain the minimum standards of health and decency.

Q. You believe that there should be a universal pension of $X?—That is right.

Q. To be paid by the federal government; and that in addition to it, there should be supplementary payments made by the provinces or by the municipalities?

By the Chairman:

Q. Not necessarily payments.—A. There would be both services and payments.

Q. Payments if necessary; services only, if additional payments are not necessary.—A. Yes. 13 deals with services and 14 with general assistance. The services include such things as housing, medical care, institutional care, recreational facilities and similar things that are needed. But in addition, in order to take care of the differential in the cost of living between the high urban centers and the rural communities 14 suggests general assistance programs.

By Mr. Brown:

Q. Would you suggest some unification of administration?—A. One of our proposals is that this system should be administered by the federal government.

Q. How can you do that if the provincial government is going to pay for it?—A. We do not recommend that they be centralized, but that there be incentive grants from the federal government to the provinces with a view to raising the standards of this program which now are very unevenly administered.

By Mr. Knowles:

Q. You are thinking not merely of supplementary aid to the old age pensioner but of general assistance across the board wherever it is needed?—A. That is right.

By Mr. Croll:

Q. We start out by giving the federal government the responsibility. Let us assume that we agree on that responsibility. Then we find that the responsibility includes old age pensioners over 70 years of age.—A. That is right.

Q. And what follows is that the old age pensioner has still got to go and shop. We have not taken over the full responsibility.

Mr. Brown: It may be that shopping is better in British Columbia than in Newfoundland.

By Mr. Croll:

Q. We have still got him going to many services for a supplement, or perhaps even to the municipal authority. We still have not taken over the full responsibility for the old age pensioner. What do we have to do to take over that responsibility, and what would it require? This committee is able to deal with the problem. We may not have another committee for many years, and this is a good time to deal with the problem once and for all. Moreover, you are the man who should know that.—A. This is a subject that has been discussed by our own council and by our staff. It does not come within the ambit of this brief. We have not raised it. There is a point of view which suggests that we would have a tidier system if all economic maintenance programs in Canada were centralized. That point of view is held in certain places. But the council does not hold it. So far as the official view of the council goes—that view is that a supplementary program is inevitable in any flat rate system, and that the supplementary program should remain with the provinces. I say that is our position. It is our position perhaps partly because it has not been re-examined officially over recent years. But there are some members of our fraternity who would go further than that and would say: let us take the whole economic maintenance program and make it a federal responsibility and leave to the provinces the field of services, things such as medical services, institutional care, and what not. But I am not prepared to say that is either my view or the view of the council. I can only say that it is a view that has been expressed in council meetings.

Mr. Ferrie: How do you arrive at this figure of 70 years of age?

The Chairman: We are not on three. I stopped Mr. Laing on this, and I am sorry, but I must try and give the same measure of justice to all members.

Mr. Ferrie: I am talking about the means test.

The Chairman: You are talking about the age of 70.

The Witness: We do not provide in our program for a means test at 70. We provide for a universal pension. You, Mr. Chairman, would get it as well as the poorest citizen in the land. Everybody would get it upon reaching the age of 70. But he would lose it or a good deal of it when he came to make his income tax return.

By Mr. Shaw:

Q. Does your council feel that supplementary services such as medical services could be more satisfactorily determined or administered on the local level? Did that modify your thinking in that field?—A. Well, according to our constitution health is a provincial responsibility, and the whole apparatus of health services is in provincial hands. We do not suggest anything so revolutionary as the federal government taking over the whole thing.

Q. You have in mind the federal government taking over the entire basic scheme where $40 is paid. Would the provinces then be relieved of the $30 million burden which they now bear in the field, and might that money be used for these local services plus the incentive grants which you have in mind?—A. That is said in the brief, I think, specifically.

Mr. Croll: To tie in immediately with Mr. Shaw's suggestion would be to build castles of sand because what you would save the provinces at the present time you tie in immediately with the 65 to 69.

The Chairman: No, no. You are under a misapprehension. The proposal of the council is that the federal government should pay even the whole of the cost of the proposed plan for people 65 to 69.

Mr. Shaw: We are dealing with 70 and over.

The Chairman: If you re-read the brief you will see that the council proposes that even from 65 to 69 the whole of the cost should be paid by the federal government.

By Mr. Shaw:

Q. In stressing a minimum basic pension, does the witness and the members of his council feel that the duty of the national government, where it is going to draw upon revenues procured through taxation, stops with the provision of a basic minimum?—A. I would not argue for that, because to do so would mean that your federal health grant program would be discontinued, in so far as it benefits old people in the provinces. But as I have indicated, we are suggesting that at least incentive grants be provided to the provinces in this field of general assistance.

Q. I was thinking in terms of this basic $40. No supplementary payments are included in that sum?—A. No supplementary payments.

Q. You feel that federal government responsibility stops as far as the actual payment of the pension is concerned after you have established a basic minimum?—A. That is correct.

Q. Well, I agree.

The Chairman: You would not like people in Edmonton complaining about the fact that they got a supplement of $5 while people in Montreal got a supplement of $10.

Mr. Knowles: Right on that point may I ask Mr. Davis what comment he would have to make on this? If the council program were adopted what would be the position of Alberta and British Columbia with respect to the extra $10 they are now paying?

Mr. Shaw: They would keep on paying.

The Chairman: If they wished?

Mr. Knowles: We have no doubt but what they would. However, Mr. Davis' position is that the provinces and the local authorities pay additional amounts on the basis of need. Would it not be a very necessary need for those two provinces to keep on paying the full $10 as they are now?

The Chairman: That is not our business here.

The Witness: Well, this goes back a little. When we prepare a brief such as this for you we are guided by our concern for human need, and whatever knowledge we have from our contacts and experience, but we also have to be guided somewhat by what you might call realistic considerations. Therefore we use the figure of $40. Now, we have said quite carefully what our position is. We do not give a figure at all under point 2. We say that the rate should be based upon a careful study, and then we go on—that arrangements should be made for a review of the amount, and then, "pending such a study", and we

removed a couple of words there, "and in the assurance that the amounts will not err on the side of generosity, the immediate rate should be set at least at the present figure, $40 a month".

Mr. KNOWLES: That is very carefully worded.

Mr. MACINNIS: Mr. Chairman, did you make a rule that we could only ask questions now on points one and two?

The CHAIRMAN: Yes.

Mr. MACINNIS: Well, I think you ought to consider that ruling again because I do not think we can discuss 1 and 2 unless we also are allowed to ask questions on point 3 because they fall in together.

Mr. FLEMING: We are coming to number 3 anyway.

The CHAIRMAN: If we are going on to recommendation number 3 Mr. Laing has the floor.

By Mr. Laing:

Q. I was going to point out in 3 the recipients have objected to the means test; I think workers in the government service have objected; and I think members of parliament have objected. This brief proposes that beyond 70 years we should remove the means test but it transfers it to the age group 65 to 69, with greater intensity than ever before.—A. It is not a means test.

Q. Well who is going to say whether a person is prematurely aged or not?—A. It is a health test, not a means test.

Q. Who is going to say that?—A. Medical officers.

Mr. BLAIR: You cannot do it.

The CHAIRMAN: That is the proposition.

Mr. MACINNIS: Not to call it a means test is in my opinion really quibbling —if you do not think that is too strong a word. After all, if a person is 65 or 69 and able to perform remunerative work—

Mr. KNOWLES: You are 66,—

Mr. MACINNIS: Now this does not say that he is not paid a pension if he is not in remunerative work—it is just his ability to work. It seems to me that this sort of a means test is not very logical. A person who cannot find employment if he is able to work, at the age of 65 or 69, is just as much in need of assistance as a person who is not able to work and who would be provided for.

The CHAIRMAN: Does this mean that you would favour the means test between 65 and 70?

Mr. MACINNIS: I think it would be much better to make it so that there would be no means test after 70 but a means test between 65 and 69—that is if you are going to adopt that principle.

The CHAIRMAN: That is your answer—

Mr. CROLL: Would the witness add anything?

The CHAIRMAN: Have you any comment, Mr. Davis?

The WITNESS: You will notice one of the recurring themes throughout this whole document is that we want older people to be continued in work as long as they can. We feel it is in their own interests and it is certainly in the interests of the country. The population is steadily aging and a means test program does put a penalty on working. You get a pension if you do not work.

We have been trying to work out, and we are not saying that our solution is fully satisfactory, a proposal here that would keep people at work as long as possible and pension would be paid only where a man, through some physical condition such as coronary thrombosis, or something of that kind would find it impossible to work. We do not deny the difficulties of administering a medical

test. A doctor would know better than I the full extent of those difficulties but we do point out that we do have such tests in a great many programs. We have them in mothers allowances, workmen's compensation claims, military pensions, and war veterans allowances. In some countries they have invalid and disability pensions where that principle is applied. There is a good body of experience as to how a pension of this kind could be administered. We suggest that as Canadian administrators develop experience—conditions may have to be strict at the beginning—we can work out some solution to the problem that would not involve an appraisal of a man's means. The millionaire, if he got coronary thrombosis, would get the pension just as well as the pauper who could not do any work.

By Mr. Fleming:

Q. I gather from your definition of the group 65 to 69 that you are proposing to include there really the unemployables?—A.They are unemployable.

Q. Well we have got a pretty well established connotation of the term unemployable. Is that the whole group you have in mind?—A. And the spouses of such breadwinners.

The CHAIRMAN: What about wives below 70 of pensioners 70 and over? Would you include them?

The WITNESS: We have not proposed that they be included.

Mr. LAING: You are surely not going to describe this group as unemployable?

The CHAIRMAN: That is where I was going, Mr. Laing, thank you.

Mr. FLEMING: Well Mr. Davis may have to change his answer, because I was asking whether this is the group that we are accustomed to refer to as unemployable. I was very anxious to see if the definition of the two groups was precisely the same. I inferred from Mr. Davis' answer that the group he has in mind are the unemployable and no others. Is that right?

The CHAIRMAN: What about the wives of pensioners 70 and over? They are not employable?

The WITNESS: The point about the wife of a man over 70—when she is between 65 and 70—is not covered in the brief. We have covered wives of the prematurely aged between 65 and 70 and said they should be included so I think logic would suggest perhaps that we ought to include wives between 65 and 70 of pensioners beyond 70.

By Hon. Mr. Farquhar:

Q. Do I understand that your suggested means test would only cover those between 65 and 70?—A. We have not used the means test at all in our brief.

Q. I mean medical tests?—A. The medical test only applies between 65 and 70.

Q. Why should it not apply to those much younger than that—for instance those from 55 to 60?—A. Your committee, Mr. Chairman, is dealing with the problem of old age. There could be a case made out for disability insurance under a government disability program. We have not been dealing with that except by incidents in this brief. Some day I hope we will have a disability program to cover people of all ages; but, as I see it, that is not your job as a committee and was not our job in preparing this brief.

By Hon. Mrs. Fallis:

Q. The brief reads: "The pension should be paid as of right to all persons who have reached the age of 70 years, or who, being at least 65 years of age are 'prematurely aged', and retired." How would that apply in the case of a

housewife 65 years of age who had broken down in health and who has never worked outside of the home?—A. You mean a housewife who would be dependent on a working husband?

Q. Yes, one who never has worked outside of her home. You see, if such a person were in industry, she would be retired by the firm or by the industry and there would be the question of health, of premature aging, but that does not apparently apply to housework.—A. And do you mean with the husband dead?

Q. Living or dead, it doesn't make any difference. I am speaking of the dependent housewife.—A. We have never thought of the pension as being applied to a woman who is not employed and whose husband is employed.

Q. In the case of premature age and a breakdown in health, as I understand it, not able to work in the home, she would not be entitled to anything under this?—A. Not if her husband was working.

Q. But if she had been working in industry she would be entitled to a pension under those circumstances.—A. If she were a woman who was dependent on her own earnings for maintenance she would be covered.

Q. But suppose she had not been dependent on her own earnings, suppose she had been working and her husband had been working too, they would be looked after under this; but the woman in the home would not be looked after.—A. Not if her husband was working. That is the way it is at the present time.

Q. That is what I mean. If she were working in industry and if her husband were working in industry they would both be entitled but if she were prematurely aged and retired from that industry because of ill health even though her husband was working, she would be entitled to a pension?—A. Presumably she would.

Q. But the housewife would not?—A. That is right.

By Mr. Croll:

Q. The answer to that question would be this: would she not have to be dependent before she would be permitted to take pension?—A. To tell you the truth, I do not know the answer to that question. This is the 65 to 70 group, which is the group that has to be studied. We want to do something for them. We don't like the idea of simply pushing the means test down on the 65-69. We are looking for some alternative. In our committee when we discussed this one suggestion was that if a person in this age group who had been employed was unemployed for a period of let us say 12 months we could accept that as prima facie evidence of his unemployability and take that into account. We settled on the health test as being the best test to use, and we thought in view of the experience in some of the other countries that it might be operable, and it still leaves the incentive for people to go on working, which is what we want where we find that there are so many thousands of people over the age of 65 who could go on working and should be encouraged to go on working, and who would be so encouraged by the present system.

Q. Would it not be fairer to cover all these classifications of means test between the ages of 65 and 69, would it not be fairer to include everybody in that age group in the same way, whether they happen to be working in industry or whether they are working on the farm or wherever they might be employed; wouldn't that help?—A. I don't know what fair means. The means test would meet need where need existed, there is no doubt about that.

Q. Yes, but I mean it would apply to more people who need it, whereas the other procedure would be more restrictive.

Q. You mean we should consider whether or not it would benefit housewives of the kind to whom you refer who might be now brought into this group by some

adjustment, but in doing that you might also impose penalties on others in the group who should be encouraged to go on working.

The CHAIRMAN: How would it impose a penalty on other groups?

The WITNESS: Because they could only qualify for such pension by ceasing to work.

Mr. KNOWLES: Mr. Chairman, on that point, it seems to me there is another class in addition to the two that have been discussed so far. You find, Mr. Davis, that the committee are pretty well with you, perhaps we are unanimous, on the removal of the means test from the 70 up group with a flat pension of "X" dollars. When you talk about this group 65 to 69 you discover there is opposition to the means test and you discover there is opposition to the idea of the health test, and yet I think there is support for this thing that these people should be covered, that they should be encouraged to work. What I am getting at is this: have a pension for everyone at age 70 regardless of means, and regardless of whether they worked between ages 65 to 69; pay no attention to means but pay attention to anyone at anytime during that period if they require to retire from active work. The result would be that people who were in good health and could earn more by staying at work than by retiring and going on "X" dollars per month would be encouraged to keep on working and there would be no means test and no health test.

The CHAIRMAN: Don't you think a combination of the retirement test and the means test would be the answer to the question?

Mr. KNOWLES: The retirement test itself is quite sufficient.

Mr. LAING: How are you going to tell when a farmer has retired? Would that be when he sells his farm?

The CHAIRMAN: I believe Mr. Knowles wanted to ask another question.

Mr. KNOWLES: I just wondered if Mr. Davis would care to comment on what I have said.

The WITNESS: Miss Govan might be better able to comment on that than I am. She recalls that we had a discussion on this matter in the committee where representatives from the Unemployment Insurance Commission were present and they suggested that the test of retirement was as difficult as a test of health.

Mr. KNOWLES: Yes, except that some nations have it and use it.

The CHAIRMAN: It is all very well in industry but what about the farmer; who is going to say when the farmer retires? I suppose he would be retired if he sold his farm.

Mr. KNOWLES: I seem to recall that some of the other countries we were looking at did use the retirement test. Do you happen to recall which countries those were?

The CHAIRMAN: I think the United Kingdom increases the benefit if a person continues to work, that is if she does not retire at age 65.

Mr. KNOWLES: And that is for the purpose of encouraging people to stay in employment.

Mr. BLAIR: Further to Mr. Knowles' question and coming back to these physical tests you mentioned, the test in the army—veterans disability—may I point out that those disabilities are apparent, there is no difficulty with them, and the amount of compensation has been increased where the disability is clearly apparent. Now, the question we have just been considering, I think that is merely a shifting of the responsibility. Would you, sir, advise a certificate to some elderly lady of 69 years of age? Would you like you like to say: I think you are fit to work, get going? Personally, I would refuse, I would not do it. If a man says he is not fit it just can't be done.

The WITNESS: No, I do not think so. I think it might be an argument against using the local doctor.

Mr. BROWN: How are you going to get away from it?

Mr. BLAIR: You would have to have a board at Vancouver deal with citizens in Halifax.

The WITNESS: What would you do with that 65 to 70 group? We are trying to cover them. We could try to bring this down to age 65 and give everybody 65 and up a $40 pension. Then they could go on working and consider the benefit of the extra pay or income they would have. That might create a problem for the Department of Finance, but they have had a lot of other problems which they have handled up to now, and they could regear the income tax to take care of that situation. That is a possibility. We were trying to find some other formula. It would not be a means test formula that would be applied to this group. I am not suggesting for a moment that we have found it. but we thought, in terms of premature age, something might be worked out that could be applied here.

Mr. BLAIR: You could have people who are prematurely aged at age 45.

The WITNESS: But you see we are dealing here with people who are in the old age group.

Mr. KNOWLES: Would it not be better to take them in at 65 and leave them keep on working if they wished to and have the added benefit of earnings as long as they wanted to work as an incentive?

The WITNESS: I think one thing you will find out here, at least I have, is that I do not know very much about this subject. It is something that has to be explored to find out what sort of test meets the particular group. How are we going to do that? We have to determine the eligibility for each of the programs. We have made certain suggestions along the lines concerned, and I think that is about as far as we can go on the subject.

By Mr. Shaw:

Q. Does the witness agree that the great majority of workers who are physically fit should be allowed and encouraged to hold employment, and that they will go on working. Personally, I do not know of any old age pensioner who would not prefer to be back on a job or working. Do you not think we should provide a formula for them as long as they can earn wages, would they not benefit by being employed?

The CHAIRMAN: Would not the danger there be, Mr. Shaw, that the employed man would say: I would rather take the pension; would you not have them stopping work in order to get the benefit of the pension?

Mr. SHAW: Under this program they would not be entitled to benefit unless they were physically in need of it. Merely being unemployed would not qualify him for eligibility between the ages of 65 to 69.

The WITNESS: No. Our program assumed that there will be an effort on the part of the federal government in the first instance to maintain high employment in the country. We know that during the war old people whom nobody thought could do anything were very active in the labour market and the unemployable problem largely disappeared. It was only people who were suffering from some serious physical or mental defect who were not drawn into the labour market. That is one thing we suggest should be participated in in, the carrying out of the program by the co-operation of labour unions and employers throughout the country, and the Civil Service as well. It may be interesting to note with respect to the Civil Service that they refuse to take in anybody for employment beyond a certain age. It is true that they have

relaxed a little bit but they still refuse to retain certain categories of people beyond a certain age. If that whole objective could be achieved we think we would be able to reduce the number of people in the 65 to 69 category who would need a special pension. We still feel that a lot of people in that age group would prefer to go on working, and that efforts should be made to find useful and profitable employment for them. That is one of the things which creates a serious problem in our pension plans, the various ways in which these people are forced out of the labour market.

Mr. FLEMING: There is just one question I would like to ask Mr. Davis. Do you make any distinction as between the minimum age for pension eligibility as between men and women?

The WITNESS: No.

By Mr. Ferrie:

Q. You were talking about age 70 for starting this pension scheme, why do you take age 70? There are some countries where they start the pension at age 65, I was wondering why you took age 70?—A. I do not think we thought about that too carefully, Mr. Chairman; 70 has been accepted, beyond 70 people are not able to work, or the number who are able to work is not large, and it has been the accepted age in Canada under the old age pension program. I think we just accepted it.

Q. Have you given any thought to taking in people at age 65?—A. We have given thought to it, yes.

The CHAIRMAN: Yes, they have given thought to it. Now, I am sure the members of the committee would like to know what your reactions are to the question asked by Mr. Fleming, as to whether or not you would distinguish between the ages of men and women.

Miss GOVAN: I think, Mr. Chairman, that the committee was a mixed committee, and it was thought that there was no evidence as to why women should retire from employment before men, and that the tendency in that direction was also part of our employment practices rather than based on any evidence that women should retire earlier.

Mr. BROWN: Equality of the sexes.

The WITNESS: The average difference between the ages of husbands and wives in Canada is two and a half years, so if you want to make differential, why not make it two and a half years or three years at the most?

Mr. FLEMING: The differential in employment practices is more like five years.

The WITNESS: We did not see any reason for that differential in employment practice.

Mr. MACINNIS: I am all in favour of keeping them working.

Hon. Mr. HORNER: Is it not a case that it would be more difficult for women to secure employment at that age than it would be for men to secure employment five years older?

Miss GOVAN: I think that is true if she has not already been employed, but if she has been in employment continually I do not think that applies.

The CHAIRMAN: Any other questions on this age feature?

Could I ask the question that Mr. Fleming asked the other day of another witness about the order of importance as between three factors? Would you ask your question, Mr. Fleming? I believe it is quite important.

By Mr. Fleming:

Q. It was the question of priorities. Perhaps, Mr. Davis, you may have been here when it was asked. We start first of all with three objectives in your plan. The

first is abolition of the means test; the second reduction of age—on which you do not go all the way—to 65; and the third was an increase in the basic pension, also on which you do not go all the way. The question brought from the witness an expression as to his view on the relative urgency or priority of these three changes. Would you care to comment on that?—A. I think the logic of our brief would suggest that we would put the abolition of the means test first, and universality, by which I mean reaching all the people that are considered eligible under the program, second, a thing which an insurance program does not do, for example,—

Q. Excuse me, that is all part of the first one, that is abolition of the means test. The second one is reduction of the age from 70.—A. I am in favour of reducing the age to the point where those who need the program get it.

Hon. Mr. KING: (Joint Chairman): And there is a needs test?

The WITNESS: And thirdly the adequacy of the pension. That would be the order. That is the logic of the program. Now, whether that is the way I would work it out myself is something else again.

Mr. FLEMING: That is the way that Mr. Conroy rated the priorities among those three factors.

The CHAIRMAN: Could we proceed to No. 5 now?

Mr. FLEMING: I have a question on No. 4.

The CHAIRMAN: I am sorry. No. 4, residence qualifications.

By Mr. Fleming:

Q. You start by saying "A federal residence requirement, possibly of five years, would be necessary to discourage an influx of persons from other countries,"—Mr. Davis, do you not think five years is pretty low, especially if you are contemplating a reduction in age to 65? It would mean that if you had a substantial number of people coming into the country at age 60 it would require only five years residence, and at age 65 if they are not employable for one reason or another, they would automatically qualify. Is that not going to throw a pretty heavy burden on the fund or the consolidated revenue fund, as the case may be?—A. We do not have any strong argument on this. Five years is the period to establish citizenship. We take the position that in our society we are going to provide for old people who are citizens one way or another.

Mr. CROLL: Or who are not citizens.

The WITNESS: Or who are not citizens. And we thought that five years were enough to indicate they were permanent residents of the country and so we took five years.

Mr. FLEMING: You are not giving any account to the fact then that if the plan is contributory they will have contributed only for five years and if it is not contributory they would not have paid taxes for more than five years. They will be doing pretty well compared with Canadian born citizens or a man who immigrated into this country as a young man and contributed taxes during his life time.

Mr. KNOWLES: Do not forget, Mr. Fleming, you want to go to Colorado.

Mr. FLEMING: I expect I shall see you there too, Mr. Knowles.

The WITNESS: We were not approaching this program in terms of what you earned, it was in terms of human need, and we felt that people who had been here five years should be looked after and this was the best way to look after them; each generation providing for the old people as they come along. What you would save in that would be a small amount because, as I say, they would become a burden on the general assistance program in any event.

By Mr. Ferrie:

Q. Do you think if you brought the age limit down to 65, and gave a pension of $40 a month without any means test that you would interfere with what you made a statement on at the start, about the overall picture of a national security system?—A. It would put quite a dent in it. It all depends on the dispositions of the Canadian people to make their disposable income available for this purpose.

Q. But do you think the people will do that? Do you think the young fellow of today will go out and try to pay for the scheme which I just mentioned? Do you think, from the information that your organization has, that the people of this country will be willing to go out and pay for a system of that kind?—A. Well, Mr. Chairman, I hope I am not censoring human nature but I think it will be very difficult to get them to pay that amount; it will come to something over $500 or $600 million a year; that is the amount that would be required for that program immediately; it would be a very expensive program.

Q. The reason I asked the question was that we have had organizations here before us saying that it could be done and that they were willing to do it. Do you think your organization is willing to do it?—A. I do not think I can speak for my organization at that point. I think there would be quite a difference of opinion as to whether that would be the next desirable step in building up a well rounded social security program.

Q. You do not get my point, Mr. Davis. What I was trying to get at was this: do you think that the $40 a month without a means test payable at age 65, will injure the other scheme of making a national security system for everybody?—A. Mr. Chairman, I think it depends on what you mean. Do you mean "injure" in the sense that we are not likely to get it?

Q. No, you would injure it in that you would discourage the younger generation by taxing them too much at the start.—A. I think that would be the immediate effect. Whether they could be educated over a period to pay for other things as well, I do not know. At any rate, we de not think that is a practical proposition at the moment.

By Mr. Croll:

Q. You do not think what is not a practical proposition, Mr. Davis?—A. To include everybody 65 years of age and over.

Q. That is your answer?—A. Yes.

Q. I See.

The CHAIRMAN: Any other questions on this subject of residence requirements?

No. 5. Then, "The pension should be paid to Indians and Eskimos." Mr. Brown, will you comment on this?

Mr. BROWN: I will be very glad to see the old age pension paid to the Indians and Eskimos of Canada as recommended by the Indian Affairs Committee over a period of years to this House of Commons. I do not think I should prolong my comment. I think it should be given to those people. I am glad to see it is recommended by the Welfare Council.

Mr. LAING: I think age determination would be a difficulty in this. Some Indians tell me they are 175 years of age.

Mr. KNOWLES: It should be retroactive for them.

Mr. MACINNIS: Have we finished with No. 5, Mr. Chairman?

The CHAIRMAN: No. 6. "Veterans in receipt of war service pensions should be eligible for the pension on the same terms as civilians."

Mr. MacInnis: I would like to ask a question on this: I think it has been customary in Canada not to reduce the veteran's pension, that is the disability pension, because of any other income that he may receive. You are proposing now that a veteran's income be—Oh, no, you apply that to the war veteran's allowance.

The Chairman: Yes, only, Mr. MacInnis.

Mr. Croll: The war veterans allowance is given at a lower age than he suggests.

The Chairman: These veterans allowances are on a needs test basis.

Hon. Mr. King (Joint Chairman): There are veterans receiving pensions much below $40 a month. They would naturally come in on the improved situation.

The Chairman: Shall we proceed to No. 7? "The plan should be administered directly by the federal government."

Mr. Fleming: On No. 7: we have a recommendation here for complete administration by the federal government. I think that administration would be much facilitated by the flat rate, Mr. Davis. I would like your comment, if you would give it to us, on this feature. We have had a defence at an earlier stage of the proceedings on the flexibility that is permitted under this system of provincial administration in this far flung country.

The Chairman: Do you mean on a universal flat rate pension system?

Mr. Croll: No, administration under the flat rate.

The Chairman: No, the administration under a universal flat rate pension.

Mr. Fleming: Yes, a flat rate pension, just what we have today, a flat basic pension with administration in the provinces.

The Chairman: It is a means test system that we have.

Mr. Fleming: I would ask Mr. Davis to comment on this theory that was put before us at an earlier stage of the proceedings that there was some advantage in having local administration, that is to say, provincial administration, because it permitted of some degree of flexibility in your approach.

The Chairman: Who said that?

Mr. Fleming: Just a moment. That was applied particularly to a means test basis. Under the present system. I gather from the presentation that there is some peculiar advantage in having administration in the hands of the provinces. But for my part I cannot see much in the point, certainly if you have a flat basis without a means test, such as you are proposing here.—A. I could only say that to the extent flexibility is possible or desirable in a program there is something to be said for provincial administration. In our system, which is a flat payment invariably across the country, we do not see any advantage. There is no possibility of introducing flexibility; therefore why complicate the plan by having ten administrations instead of one?

Q. Consider the group of 65 to 69; is there any problem there from the point of view of centralized administration?—A. We would prefer to see that dealt with by regional boards rather than by the provinces. I think Dr. Blair raised the point that the hometown doctor might have difficulty refusing a patient. That does come into it. I think you might get a more personal treatment of the situation if it were kept out of local considerations.

Q. That is just a matter of choosing your medical doctor. That is not a question touching the over-all problem of administration. This group has a definite preference in favour of an administration which is exclusively federal? —A. We think it would give a simpler set-up, and it would give better administration for the 65 to 70 group.

By the Chairman:

Q. If this group were under a means test system instead of a health test system, would your opinion be the same?—A. In the chapter in our brief which deals with the present program—I think it is section 4—we recognize flexibility in the present program. But I think we wonder if flexibility has not gone a little bit too far; and even in a means test program, whether there might not be advantages in having not absolute uniformity but a greater degree of it than we have now. You would have flexibility under a federal administrative plan, and we think that would be the way to do it in this program. We have not envisaged the means test program, so I would not want to be pressed too far on that point.

By Mr. Knowles:

Q. If you modified your 65 to 69 proposal on that point you would still advocate payment of 100 per cent by the federal government?—A. Yes.

Q. Which does away with one of the reasons for provincial administration of the present plan?—A. It would be two parts of one program rather than two separate programs.

Q. At the present time it is not really a federal program. It is in the nature of a federal grant-in-aid program to the provinces?

By the Chairman:

Q. To a certain extent. I do not want to press any questions on this, since you say—A. Do not worry about me.

Q. But if under a means test system for people 65 to 69 the provinces were asked to pay their share, of course you would agree that it would have to be a provincially administered scheme?—A. I think some of the provinces might even be willing to pay part of the shot if you would do the administering.

Q. Yes, but some only?—A. Yes, some only, perhaps.

By Mr. Fleming:

Q. Governments attach a lot of importance to the office from which the cheque goes out to the individual recipient or elector?—A. Yes.

The CHAIRMAN: We have felt it.

Mr. FLEMING: You felt it before last June.

Mr. BROWN: Where does the old age pension cheque come from?

The CHAIRMAN: The provincial governments.

By Mr. Shaw:

Q. There might be some merit in that from the provincial point of view. Let us not forget that those same cheques cause provincial governments some embarrassment, because many people think that the old age pension with all its shortcomings, comes under a provincial Act.—A. I feel that I have evaded this a little, but I have not done so intentionally. I can only deal with principles. There may be political and other considerations which would make it necessary—

By Mr. Knowles:

Q. Nobody here would think of those things!—A. — which would make it necessary for the provinces to administer a program of the kind you are talking about. But we would say, as a matter of principle, that there is no reason why the federal government could not administer a means test program. There is nothing in the means test which makes it a provincial matter. You might have the means test better administered if you had the thing set up on a more unified plan.

By the Chairman:

Q. I do not know if the members of the committee will agree with me, but I believe that sections 8 to 13 cover the financial aspects of the proposal and I suggest they could be taken together. Are there any questions on them?

By Mr. Shaw:

Q. Would you care to express a view on what is mentioned in section 8? Has your council any preference among those three methods of financing?—A. Our board discussed this matter and came to the conclusion that if I were asked about it I should simply say: These are alternatives. We do not pretend to be authorities in the field of finance. So we leave it to you to figure out the best formula.

Mr. CROLL: Did you have any figure in mind, Mr. Davis? Did you play around with any figures—percentage figures? I mean we are all business men—was it 4 per cent, 5 per cent, 6 per cent, or 7 per cent, or what did you play around with?

Mr. KNOWLES: Mr. Croll would like to lend you a pair of dice?

The WITNESS: All I can say is we did, with the help of real, or psuedo fiscal experts, get figures and look at them. I think we have a sober realization of the size of the tax load that such a program as we have mentioned would involve. We are not dodging that issue at all.

Mr. CROLL: No.

The WITNESS: It means money, and the money has got to be raised but, if you ask us how and on what basis we should raise it, then there are so many economic and fiscal reasons for it that we do not feel competent to pass judgment.

I will add this as a footnote: I think we recognize the great strength of the contributory program. The only strength the program has, in my judgment as I said, is that to the extent it is insurance it does not do a job, and to the extent it does the job it is not insurance. It has this great strength: it places the responsibility on the individual citizen. The fact that there are annual contributions which he makes gives him a sense of responsibility for his own maintenance in his old age. We would like to preserve that feature of the contributory program—some of us at least would—in this new program and therefore while I think no agreement was reached and no decision was made, perhaps the majority of our group would favour an earmarked contribution for social security; provided in that way we worked out a system of graded contributions which would not be regressive in incidence and provided that the bulk of the cost of the program could be secured in that way. We do not see any point in only getting token payments from people that way and having the great bulk of the payments taken out of consolidated revenue. If that is what is involved we had better take it all out of consolidated revenue in the beginning and not have a camouflaged self-help kind of program.

By Mr. Shaw:

Q. Referring to the second paragraph, does the witness have in mind the exemptions presently allowed under the Income Tax Act? You say that the tax should be on incomes above certain amounts which are considered necessary for a minimum standard of living? Did you toy with those income levels?—A. We toyed with the special exemption level now allowed old people—that might be withdrawn because of this new program.

Q. That is the $500?—A. Yes.

Q. And then what about the $1,000 and the $2,000?—A. We did not set a particular figure.

By the Chairman:

Q. As a matter of principle you say it would be a good thing if people knew that they paid for what they got?—A. We want them to get what they pay for and not a good deal more than they pay for—otherwise the whole ideà would seem to break down.

Q. But you would not object to a combination of the two?—A. No, but we would like, if there is a combination, to see more than half come out of the contributory fund and not just a token payment.

Q. If it is a social security tax would you include in that part of it which you describe as "more than half" the employer's contribution, if there was to be one?—A. Well, we did not discuss the possibility of an employer's contribution except that which the employer himself makes in his own returns.

Q. No, but suppose there is more than that? Would you include it in the more than half part which you mentioned?—A. I would not think so because I would not think that would be in line with the self-help principle.

The whole question of whether employers should be taxed for a program of this kind is again a fiscal matter. From my point of view, to the extent the employer pays, you are discriminating against him; to the extent he does not pay, which is the more usual result, you discriminate against the consumers—most of the people. We would prefer to have this tax collected at the point where it cannot be passed on. That is our proposal.

By Mr. Corry:

Q. Did you consider lowering the exemption for the purpose of social security revenue only?—A. Well—

The CHAIRMAN: The exemption levels for income tax now are $1,000 and $2,000. Would you keep the same exemption levels for the purposes of the social security tax?

The WITNESS: We simply said, in terms of principle, that we feel there is no point in reducing the exemption to the place where the man who is paying the tax has less to live than the old person who gets the benefit from the program. We would like to have a minimum level maintained—whether it should be $2,000 and $1,000 or whether that exemption should be pressed down, we do not say.

By Mr. Croll:

Q. What do you think, Mr. Davis? Give us some idea? We are trying to find ways of raising money and we have had it suggested that the $1,000 is too high. What do you consider is a good figure? You have had a lot of experience in that line?—A. I think this would be a good question to pass on to Miss Govan. She made the studies in our cost of living survey.

Miss GOVAN: We discussed to some extent and played with the figure of $750.

The CHAIRMAN: For single people?

Miss GOVAN: For single people.

The CHAIRMAN: And $1,500 for married people?

Miss GOVAN: Yes.

The CHAIRMAN: Anything for children?

Miss GOVAN: We did not discuss any specific figure there.

The CHAIRMAN: But the principle was what?

Miss GOVAN: On principle I think we would allow a deduction for dependent children.

The CHAIRMAN: The same dependencies as exist in the Income Tax Act?

Miss GOVAN: Yes.

Mr. FLEMING: Mr. Davis, I am wondering how far you are going in support of the contributory basis. I did not get the impression from your statement this afternoon, nor from reading the brief, that the Welfare Council supports the contributory or the earmarked contribution basis as strongly as it has perhaps in recent years? Has there been any change in the view on that subject?

The WITNESS: Yes, I think we have all changed our minds on contributory insurance.

Mr. BROWN: Since when?

By Mr. Fleming:

Q. Since 1945? That was the period I was thinking of in my question?—A. Well I think all of us—I will not speak for all of us but for myself—I think my own thinking on the subject has undergone some change or, perhaps not change but development, as I have become aware of some of the inadequacies in the orthodox contributory insurance program.

Q. By orthodox you mean the kind that— —A. The kind that tries to relate benefits to contribtuions to a greater or less extent—to the extent that they relate them. To a great extent they do no give you coverage and they do not provide for groups in the population which need benefit most; to the extent they relate them only very tentatively and tenuously then they are really not insurance.

You set up an expensive apparatus to do nothing socially useful or socially effective.

Q. Would this be a fair way of putting that? I gather there has been some change in either your thinking or that of the Association over the past five years?—A. I think that is a fair statement.

Q. And you see advantage in coverage and probably ease of administration —A. That is right.

Q. —in getting away from the insurance principle?—A. That is right.

Q. Also, I suppose you see some greater ease in getting away from the means test, perhaps, but I would like to put this to you for information? Assuming a flat benefit and eliminating the graduated benefit that you regard as a feature of the orthodox insurance basis, do you not see any benefit in the idea of earmarking contributions rather than just dipping into the consolidated revenue fund to pay benefits?—A. I have said one advantage of the earmarked contribution is that it does carry over to an extent that feature of the contributory insurance program and while we did not reach any agreement and we did not make any recommendation on the point we do put this forward as a possibility. On the other hand I think people have become more sophisticated in the modern world, at least about social security matters, over the last generation. We have come to expect social security as part of our way of living, and we know that social security programs have to be paid for. When they are paid out of taxes they are paid for by you and by me and by every ordinary citizen.

Earmarking is simply a device for the juvenile citizen who has not grown up to the place where he knows that all these things are paid for by the people. When you get to the point where you recognize that, then you do not need to have earmarking any more.

By Mr. Croll:

Q. I want to follow up that juvenile matter. Did I understand you to say, in response to the question a minute ago, when someone asked you your views with respect to payroll tax, that you did not like it because it would give an opportunity to pass on the cost?—A. To the extent it does, we do not like it.

Q. Well, following on from that, you will agree that if we take on all people over 70 at "X" dollars, that will be a cost to all people of Canada? —A. Yes.

Q. Is there any fairer way to divide that cost than on production?—A. Than on production?

Q. Yes?—A. No, it has to be paid for out of production.

Q. Yes, that is what I am saying. Did I not understand you correctly? I thought you did not think it should be passed on the consumer?—A. Well, my point is—and come on, help me Miss Govan?

Q. You do not need help, but I may have misunderstood you originally? —A. I am going far beyond the brief and far beyond any authority my board of governors have reposed in me. It would, however, seem to me that social security in a mature society is just like any other cost of society—whether it is defence, whether it is education, or whatever it is. It has to be paid for and it ought to be paid for through a system of taxation that follows the best modern principles. If those modern principles are not being followed under the present fiscal policy then somebody ought to get after the departments responsible and see that those principles are followed. If you get a progressive system of taxation then all these things, in that kind of society I think, could best be handled in that way.

Hon. Mr. HORNER: I must make this remark because I may be considered juvenile. There is one thing that we want to consider in all this, when speaking of growing up in a country. If you were to use the expression that we are becoming socialistic or having socialism then I could understand you, but it must be distinctly understood that if you are going to have a contributory pension plan it is simply another system of paying that money in to be handled by the government. You are saying to a young man "Here, you have not the necessary qualifications nor ability to provide for your old age, and you will pay into the government so much and we will take care of your money", and the government will provide for him.

That is what we are facing. You spoke of pensioners' needs, but if you abolish the means test you are not considering need at all. You are recommending a purely socialist scheme?

The WITNESS: I do not want to argue about it. I do not know what socialistic means any more than it is social, certainly. Whether it is socialistic or not, I think there is a recognition in the modern complicated industrial society that some kind of provision has got to be made against the hazards of living which the individual cannot take care of himself.

Mr. BENIDICKSON: If that was not so we would not have this committee.

Mr. CROLL: The figures show that 3 out of every 4 old age pensioners in this country are virtually destitute.

By Mr. Brown:

Q. Your idea was not to build up any fund but a pay-as-you-go plan as you have in your brief?—A. Yes.

Q. In that event, supposing there were a period of depression what would you do?—A. Well we have suggested that the amount of the pension should be calculated with considerable reality. This is in number 9: "In order that the rate of taxation or contribution would not have to be varied annually, a rate should be set which will provide, averaged over a period of years, the amount necessary to pay the benefits". Some kind of contingency fund would be included in our thinking.

Q. A pay-as-you-go fund?—A. Yes, with cyclical budgeting.

Mr. BENIDICKSON: I was interested in Mr. Croll's question and I judged that he was asking what your objections were to what I would take would be a percentage tax on payroll, levied against a business. You feel that is less desir-

able than a tax on income—inasmuch as it would almost be bound to be passed on to the consumer—it would be one of the obvious costs of doing business.

The WITNESS: Yes.

The CHAIRMAN: If we have exemption levels for purposes of a social security tax, would you not think that those people who are exempted should, to a certain extent, participate in the cost of those pensions? If what Mr. Benidickson calls the payroll tax was passed on to the consumer, that would be a way of doing it as well?

The WITNESS: Well I assume this program would be paid for on the basis of people's ability to pay for it—to the extent the money is derived from consolidated revenue and everybody contributes to the consolidated revenue whether they pay income tax or not. Income tax is only part of consolidated revenue. I have forgotten the figure but I think it is $530 million, which does not include corporation income tax which would make the amount up to about $1 billion from income taxes of all sorts, and then there are the other taxes such as sales tax, excise, and what not. There would be plenty of chance for the citizen who is not an income tax payer to contribute rather handsomely to the total amount.

Mr. SHAW: One thing that has intrigued me very much since we have started here is that more and more attention has been given to this question of earmarked taxes. We are told it is socially good, that it develops individual responsibility, and that it is psychologically good. However, we did not talk that way about family allowances and we have not talked that way about the other aspects of government service. Suddenly, for some reason we have begun to lay much emphasis on earmarked taxes.

The CHAIRMAN: Mr. Shaw, may I interrupt you to draw to your attention the fact that there is a great difference in the fundamental principles involved in family allowances. There is a difference in principle between family allowances and old age pensions; an Old Age Pensions Act may provide for the payment of the benefits over a number of years. It is the same thing with workmen's compensation, that is done through contributions provided by employers, and it is the same with—what is that other one?—unemployment insurance, which is provided for by contributions; because they all hold something of the insurance system while family allowances cannot be put on any insurance basis.

Mr. KNOWLES: But there is no basic reason why old age pension should not be in the unemployment insurance category rather than in the family allowances category.

Mr. FLEMING: May I suggest, Mr. Chairman, that we are getting into the field of conjecture and I think while we have Mr. Davis here for the few remaining minutes we should let him have the floor.

The CHAIRMAN: That is right, I just wanted to clear up this statement of Mr. Shaw's.

By Mr. Fleming:

Q. I would like to go back to this point so that I may be clear on Mr. Davis' views. You indicated a change of thought on this question of the method of contributions, a change of thought which has become apparent in recent years I wanted to ask you in connection with that whether you had reference to your own thoughts on the matter, whether you were expressing your own opinion or that of your organization rather than that of the country? I have in mind the expression of opinion you made with regard to this being taken out of the consolidated revenue instead of out of a separate fund, or being paid for out of earmarked contributions. I was wondering whether that represented your own views or the views of the Welfare Council?—A. I do not think I can answer

that question, Mr. Chairman; not because I want to evade it at all, but because quite frankly we did not reach, either in the committee that prepared this brief or in the board that discussed and approved it, a conclusion. There are some members from our group who feel quite strongly that an earmarked contribution is preferable because they like to keep that sense of responsibility on the part of the individual. There are others who take the position that it is really only a matter of bookkeeping and that it is not an important consideration; but I myself, am really not able to say that it is the majority opinion.

Q. You made reference to a booklet there commenting on the proposal to which reference has been made, and I believe you referred to a change in thought which I took it applied to yourself or the Welfare Council.—A. No, I think there has been a change in thought throughout the country. Family allowances have been mentioned. I think that among the other contributions made by our family allowance program is the contribution which it has made to social security thinking in this country. I have heard the American say that you in Canada have skipped the insurance stage in your thinking—and that was the comment of sophisticated Americans—they say that it is the logical and right way to get people to make contributions of this sort. They say that we cut through that, that we cut through it with our family allowance program and it didn't bankrupt us, and, as you know, that was approved by most of the people concerned.

Mr. Knowles: Yes, it passed unanimously in the House of Commons.

The Witness: And that has brought about a change in our thinking, that family allowance program, and there are those in our group who favour a contributory insurance program.

Q. But what I am trying to get clear is this: Is the opinion you are expressing your own view or that of the Welfare Council? That is what I am trying to get at. —A. I think it is in accordance with the view of the Welfare Council. I think that is all I can say. I think it can be said that within the group who make policy in the Council the insurance point of view, that is the one which admits of real contributions to income is more or less secondary, but that point of view is not non-existent but is on the decline. Now, the variation of that point of view, which is that there might be a program set up for a flat rate program—I think I can say that is the majority point of view. It might well be the majority point of view but no action officially or otherwise has been taken on it.

Mr. Shaw: That would mean that earmarked contributions to an insurance scheme would be justified.

The Chairman: That is a matter of opinion.

Mr. Croll: Mr. Chairman, I was somewhat interested in what Mr. Davis said because those of us who have had an opportunity of studying the American system share his opinion on the suggestion that we would be moving on to that in this present brief—I think what he has said was well put.

Mr. Knowles: You have already indicated, Mr. Davis, that you feel that it is juvenile to think that the total earmarking of contributions for one system gets away from the fact that in the long run you have the community as a whole paying for all levies. That being the case do you see any objection to people paying such extra contributions as may be necessary to finance the old age scheme right in the income tax structure itself?

The Witness: I would say that is a psychological and political question. I think it depends on whether the people of Canada will accept that method of financing it.

Mr. Croll: What do you think, you are the people.

The WITNESS: I would accept it myself. The use of earmarked contributions made especially for old age seems logical to us. The question as to just what amount of money would be involved in making those payments is a rather controversial one. I have stated that it would take a fairly small amount over a period of years—for instance, the working life of the average worker is 30 to 40 years. If you accept that as a standard the minimum contribution required to sustain such a program would be of the order of $30 to $40 a year.

Miss GOVAN: No, $430, I think it is.

The WITNESS: I think she is right. If you are talking about the working life of a person and that that maximum rate is to be met by finances which come through contributions to a large extent, then it becomes a matter of proportion in relation to the whole of the financing required. In our thinking, unless a real contribution is made to the pension fund it loses its value and you might reach the stage where people might decide not to support it.

The CHAIRMAN: You have been talking about a floor to a social security tax at different levels. Have you given any thought to a ceiling of let us say $5,000, that would mean that a rate of 2 per cent would produce a maximum contribution of $100 a year. Would you approve of such a system?

The WITNESS: I was not thinking so much along lines of income as working out the amount of contributions.

The CHAIRMAN: What I have in mind is the setting of a ceiling above which this 2 per cent tax would not apply, and for convenience I chose the hypothetical figure of $5,000, which at a rate of tax of 2% would yield $100. What would be your reaction to that?

The WITNESS: I feel that particularly in a large program of this kind, a complete social security program, that it is only logical that some such ceiling should apply.

The CHAIRMAN: But if you had people paying a social security tax above a stated amount each year—let us say if it was more than the amount which would provide an annuity ensuring them a larger benefit than they would get by reason of this pension benefit at age 70 at a flat rate—they would not be interested and it would not be fair to them.

The WITNESS: There is logic in that, but what I was thinking of was why make $5,000 the limit?

The CHAIRMAN: I was only giving that as an example.

The WITNESS: The figure I have here which comes from a relatively reliable authority is $35.26 a year—I may be wrong on this figure, but that is what it looks like in my writing—that would be the amount required to produce an annuity of $40 a month at age 70.

Miss GOVAN: I think the figure is $3.52 per month. I think that is what it is; but even so it is a very small amount. Now, if you are going to have automatic contributions why should you not collect more than that from anyone, because that would not be enough to pay the cost of the scheme; why would you set this limit of $5,000?

Mr. CROLL: The chairman just put a hypothetical question. Any scheme that we will put forward will be much cheaper than anything available to anybody any place in Canada for comparable money. There is no question about that, because collectively we can do it on that basis. What I wanted to ask you is this. In your contact with the various social agencies and social workers can you tell us this: are the people prepared to pay for this special service? That is a very important question. You are the one who is out meeting these people and I just wondered if you could tell us that.

The WITNESS: It is a very difficult question. I think the Gallup poll would be the better people to ask that of than social workers.

By Mr. Ferrie:

Q. Mr. Davis, I asked a question with regard to the pension that you are talking about, $40 a month? If the government will pay that without a means test, what about the private pension? Would you add the other to the private pension?—A. We would not interfere with any private pension that people might have.

Q. You would not interfere at all?—A. Oh, no.

Q. You think it should actually be added to the private pension?—A. Oh, yes, the $40 at 70 years of age has nothing to do with a person's other income; he may have any amount of income beyond that $40. They get the $40 as a matter of right at age 70, and it is up to the government through the Income Tax Department to deal with their funds.

Mr. FLEMING: You mean to say that no matter what income a person is getting from private pension plans that amount is of no concern to the government at all?

The WITNESS: Not at all.

The CHAIRMAN: Miss Govan and Mr. Davis, the members of the committee join with me in thanking you very much for your presentation and for the very interesting discussion that arose out of your statements. We members of the committee also wish to thank you again for your brief which is very comprehensive.

The WITNESS: I hope you feel, Mr. Chairman, that I was sincere in what I said at the beginning that we came here to learn as well as to testify.

The CHAIRMAN: Thank you very much.

Tomorrow morning at 11:00 o'clock we will meet in room 430. That is a correction on the notice you have received.

—The committee adjourned.

APPENDIX

PENSION PLANS IN CANADIAN INDUSTRY

PREPARED BY THE ECONOMICS AND RESEARCH BRANCH OF THE DEPARTMENT OF LABOUR

(Reprinted from *The Canada Gazette*, April, 1950)

At present approximately one million workers in Canada, or about one in every four wage and salary workers, are covered by group pension plans. The number of these organized group plans is estimated to be close to four thousand. Under these plans provisions are made for workers to receive a regular income after retirement. Almost all of the plans now in existence have been inaugurated since 1900; more than three-quarters in fact since 1939.

The present article makes some reference to the growth of these industrial pension plans over the past fifty years and analyses the main features of existing plans. The article also deals briefly with some of the advantages and limitations of these plans. Finally, reference is made to the relation of these plans to the broad problem of old age security for all Canadians.

GROWTH OF INDUSTRIAL PENSION PLANS

No information is readily available as to the number of group pension plans in existence at the beginning of the present century, but it is known that at least four of the current plans were inaugurated prior to that date. The earliest of these four plans was introduced in 1874 by the Grand Trunk Railway, now part of the Canadian National Railways, and is known as the Superannuation and Provident Fund Association.[1] Of the other three plans in effect in 1900, two were in financial firms and the third was in a manufacturing concern.

The period since 1900 can be dealt with conveniently in two sections: from 1900 up to the beginning of World War II in 1939 and the decade of the forties. In the earlier period the growth in the number of pension plans was slow—in the latter the number increased rapidly.

Period from 1900-1939

Over the first four decades of the present century there was a gradual extension in the number of workers covered by industrial pension plans. As the general interest in the problem of old age security increased more firms developed both informal and formal arrangements for helping to provide assistance to retired employees. Most of these early plans were initiated by employers and were usually of a non-contributory nature as far as the employees were concerned. Evidence of the widening interest in old age security during this earlier period is seen in the increasing frequency of parliamentary debates on the subject following the first World War culminating in the passage of the Old Age Pension Act in 1927.[2] This Act inaugurated an over-all federal-provincial program of limited financial assistance to persons over seventy years of age in need of such aid.

Most of the pension plans introduced during this forty-year period were in financial institutions and in manufacturing plants. A recent survey reveals that about 350 of the current industrial pension plans, which were inaugurated prior to World War II, are in finance, while some 300 are in manufacturing.[3] Another 175 plans

[1] An earlier Federal Civil Service retirement plan was introduced in 1870. The present Civil Service Superannuation Act, was passed in 1924.

[2] The assistance provided to older persons under this Act is not based on any previous financial contributions to an established fund but is paid on the basis of need. The assistance given is paid on a different basis from that provided under most industrial plans.

[3] An article outlining the results of a survey conducted by the Dominion Bureau of Statistics in co-operation with the Departments of Labour and National Health and Welfare entitled "Survey of Industrial Pension and Welfare Plans, 1947", was printed in the LABOUR GAZETTE, June, 1949, pp. 694-700.

currently in effect and introduced in the period up to 1939 are in wholesale and retail trade establishments. The number of current plans introduced during these earlier years in the other industry groups is much smaller, about seventy-five in all.

The growth in the size of many financial, trade and manufacturing concerns during these years is no doubt one factor explaining the more rapid introduction of pension plans in these industries than in some others. Besides, manufacturing during these years experienced some important changes in organization. With the rapid increase in the size of establishments and the introduction of mechanization on a large scale, accompanied by greater division of labour and job specialization, the work performed by independent craftsmen diminished in importance. It was during this period, for example, that many of the rural artisans, including blacksmiths, harness makers and wheelwrights, largely disappeared, and the proportion of urban wage-earners increased rapidly. Those workers who formerly continued at their independent crafts now, under the changed conditions, were retired at age sixty-five or seventy because it was found more economic to have their places in the plant taken by younger persons.

These changes in industrial organization in Canada, as well as elsewhere, tended to focus more attention on the problems of workers laid off in their declining years. More firms, sometimes on the urging of unions, recognized some responsibility for the continued security of former employees in return for services previously rendered. Not much is known on the extent to which workers themselves during these years were encouraged by unions, employers and other agencies to set aside savings for their old age. It is significant, however, that relatively early in this period, in 1907, the Annuities Act was passed, "for the encouragement of thrift and the affording of greater facilities for making provision for old age", by the Federal Government.

Period from 1940-1949

Although the growth in the number of pension plans was slow up to 1940, some foundation was laid for a rapid expansion. During the past decade the number of industrial pension plans has increased by approximately three thousand. The largest group of wage-earners covered by these plans is in manufacturing in which total employment is greater than in any other industry. It is estimated that approximately 25 per cent of all workers in this industry are covered. In transportation about 94 per cent of the 194,000 employees of Canadian railway companies are covered. On the other hand coverage is much smaller in industrial groups such as services, construction and forestry. In these industries there is considerable seasonal and casual employment, a fact which militates against the establishment of pension plans.

There are several factors responsible for the rapid increase in the number and in the coverage of pension plans during recent years. The marked expansion of manufacturing during the war years has given added importance to the trends noted earlier in industrial organization. Added to this, many establishments have had at their disposal the funds required to inaugurate pension plans. Whether their reasons for desiring to set up such schemes, were based on economic or humanitarian considerations, or both, the state of business during the period was favourable for their establishment.

Under pressure of wartime production needs, employers gave increasing attention to personnel problems. With labour at a premium it was necessary to take every possible step to increase the efficiency of labour.

During the war, the ceiling on wages together with the shortage of labour resulted in a tendency on the part of employers to increase the emphasis placed upon working conditions and to provide benefits in lieu of wage increases. By establishing pension plans, employers were able to increase the over-all economic returns to their employees without increasing their wages.

Another consideration, from the employer's standpoint, has been the desirability of establishing a systematic retirement policy. Under a pension plan employees can be retired without partiality when they have reached the age selected as most suitable. There is less tendency to retain in employment those whose industrial efficiency has declined due to the effects of increasing age, since their retirement will not result in destitution.

Employers' decisions in regard to the establishment of pension plans have also been influenced by the action of the federal government in making contributions paid into approved pension funds, deductible from income as computed for purposes of corporation income and excess profits taxes.

Employees, on their part, have taken advantage of their stronger bargaining position, resulting both from labour shortages and from larger union membership, to press for welfare plans. This pressure has become particularly noticeable recently as efforts to secure direct wage increases have become a somewhat less active issue in collective bargaining.

Perhaps the most important single reason, however, for the increase in pension plans during recent years has been the growing interest in all forms of social security. Aside from this general interest the position of the older members of the community has been underlined by the higher proportion of older people in the population, due mainly to declining birth rates and to increased longevity.[1]

Actions taken by the government during the decade in regard to older persons, are indicative of this increasing concern of the nation as a whole in social security. The amount of old age assistance set initially at $20 per month in 1927 was increased on three occasions during the past decade.[2] The federal government also introduced, beginning in 1949, an additional exemption of $500 for income tax purposes in the case of persons 65 years of age and over.

All of these factors have given rise to much current discussion of old age security problems and in turn serve as an added impetus to industrial pension plans. For this reason it is timely to consider some of the main characteristics of existing plans.

LEADING FEATURES OF PENSION PLANS

While most industrial pension plans in Canada show a broad similarity, they may vary as to detail.[3] This is due partly to the differing needs of the groups covered. Large and small firms are likely to establish pension plans of different types. A firm with a stable business and a small labour turnover will have less difficulty in setting up pension and welfare plans than a firm in a less fortunate position. The kinds of benefits provided, and their amounts, depend on such factors as the financial strength of the company, the method by which the plan is financed, whether the plan is contributory or non-contributory, and the presence or absence of other welfare plans for the employees. The leading features of pension plans may be discussed under four headings:—

How is the plan administered?
How is the plan financed?
What benefits does the plan provide, and under what circumstances?
Who are eligible for these benefits?

The Table on pages 830 and 831 gives a brief analysis, under these four headings, of seven Canadian pension plans. Each of these plans has been selected either because it is typical of plans of a certain kind, or because it is important in itself, like that of the federal Civil Service. This table provides examples to illustrate the discussion which follows.

How is the Plan Administered?

In this respect, nearly all Canadian plans fall into two types: some are organized under contracts with insurance companies or with the Government Annuities Branch of the Federal Department of Labour; some are administered by a board of trustees.

When a plan is underwritten by an insurance company or by the Government Annuities Branch, this underwriting organization accepts the responsibility for paying each employee the pension or other benefit due him under the contract, and in return receives annual sums representing the contributions made by the employee and his employer, or the employer alone, during that employee's working career. The contributions must be adequate actuarially to provide the benefits promised. This form of organization offers the greatest security to both the employer and the employee. Such plans, however, are rather rigid in their requirements, and other types may be found less expensive in some cases.

Under a trustee plan, the annual contributions are deposited with a trustee who administers the funds, paying pensions or purchasing annuities for employees as they retire. The trustees are usually selected by the employer, and are sometimes directors or officials of the company. In some cases, both employer and employees are represented on the board of trustees.

This type of administration permits greater flexibility in the organization of the plan than is allowed by an insurance company. Regulations have been established, however, by the Pensions Fund Branch of the Department of National Revenue, which must be observed in organizing any pension plan if the contributions to the fund by the employer or the employees are to be allowed as exemptions for income tax purposes. Perhaps the most important of these regulations is the requirement that the

[1] In 1949 the number of persons 65 and over represented over 7 per cent of the population, in 1900 it was 5 per cent. It has been estimated that the proportion of the population 65 and over may gradually approach a level of from 10 to 15 per cent of the total population. See LABOUR GAZETTE, January, 1950, page 26.

[2] The monthly maximum rate was increased to $25 in 1943; to $30 in 1947; and to $40 in 1949. In addition to paying their share of one-quarter of these amounts some provinces introduced "cost of living" bonuses up to $10 per month which are still being paid.

[3] See "Types of Pension and Retirement Plans in Canadian Industry", LABOUR GAZETTE, February, 1950, pp. 191-192.

employer's contributions to the pension fund must be irrevocable.[1] In other words, if the plan is not insured, the contributions must form a trust fund, which the employer cannot recover for his own purposes, but which must be devoted solely to the payment of pensions or other related benefits to the employees covered by the plan.

When pensions are paid from an independent trust fund, instead of being insured, it is evident that all the risks of the plan such as exceptional longevity among the pensioners, must be borne by the established fund alone, instead of being merged in the larger pool of risks carried by the Annuities Branch or by an insurance company. When the trust fund is used to buy annuities for employees as they retire, the fund is protected from the risk of high longevity among the pensioners after retirement, but some uncertainties remain, due to variations in the mortality rate of employees before retirement, or in the rate of labour turnover. For these reasons, such independent plans are best suited to companies with sufficiently large numbers of employees to make risks reasonably predictable. The cost of administering a trusteed plan is also likely to be excessive for a small company.

How is the Plan Financed?

The method of financing adopted greatly affects all the other features of the plan, including the types of benefit provided and the vested rights of the employee. Most of all it affects the security of the prospective pensioner, who has an interest not only in the size of his future pension, but in the certainty that it will be paid.

In the case of a plan financed and administered by the employer, it is possible theoretically at least, to operate upon a "pay-as-you-go" basis. The pensions due each year are then paid directly by the employer from current revenues or from his general cash reserves. Under such a plan there is no accumulated pension fund specifically earmarked for the payment of pensions. The continuance of pension payments depends upon the continuance of the prosperity of the business and its ability to carry the plan through a period of recession. In case of bankruptcy the ex-employees would have no claim against the assets of the company. To balance this lack of security, the advantage of such a plan is that it does not require an initial outlay to establish a fund.

There are practically no pure "pay-as-you-go" plans in Canada at present, due in part to the requirements of the Department of National Revenue. As stated above, nearly all plans are either insured or trusteed. Either of these types of plan involves the actuarial calculation of the yearly payments which must be made on behalf of each employee throughout his working career, to provide him on retirement with a pension of the chosen size.[2] The fund formed by the accumulated contributions will be preserved in the hands either of trustees or of an insuring agency, and even should contributions cease, the fund will continue to provide pensions to those employees who have retired, and a certain sum of money for those employees who have not yet reached the retirement age.

It is evident that the pension which the employee ultimately receives will be determined by, among other things, the number of years during which contributions to the fund are made by him, or on his behalf. In this calculation no account has yet been taken, however, of the past years during which the employee may have worked for the same employer before the pension plan was established. This is a serious matter for those employees who, at the beginning of the plan, are already close to the age of retirement, as they will have only a few years of contributions to their credit when they retire. If their pensions are to be set at rates which take account of their years of service before the plan began, an adequate amount of money must be provided in addition to the normal contributions.

This amount of money is known as the "past service liability" of the pension plan. It is, of course, gradually reduced as the older employees successively retire, receive their pensions, and die. That portion of a pension paid for years which the employee worked before the pension plan began is called the "past service benefit". That portion of the pension paid for years worked after the pension plan began, and during which normal contributions were paid to the pension fund, is called the "future service benefit".

Since it is difficult for employees to contribute toward their past service benefits in addition to their normal contributions toward their future service benefits, the past service benefits are usually financed entirely by the employer. This can be done on a "pay-as-you-go" basis even if the future service benefits are funded. The Department of National Revenue, however, requires the past service liability to be liquidated according to a definite plan, by payment of a lump sum into the pension fund, or of instalments over a pre-determined period,

[1] Further regulations of the Department of National Revenue are referred to below.

[2] In the case of "money purchase" plans, the annual contribution is fixed as a percentage of the employee's earnings, and the pension paid is calculated actuarially from the contributions.

SELECTED CANADIAN

Main Features of Pension Plan	Montreal Star	National Carbon Limited	Great Lakes Paper
Administration			
Underwriting agency	Annuities Branch, Canadian Department of Labour, and Insurance Company	Annuities Branch, Canadian Department of Labour, and Insurance Company	Insurance Company
Contributions			
(a) Employee contributions	4% of basic earnings	3% of annual earnings under $3000—4% of excess over $3000	4% of earnings
(b) Employer contributions	4% of basic earnings of each member, plus cost of past-service benefits	Balance of cost of plan	Balance of cost of plan (about 60% of total including past service benefits)
Benefits			
(a) Annual Pension Formula			
(i) Future Service	Amount determined by future service contributions given above (Money purchase plan)	$1\frac{1}{2}$% of total straight time earnings as a member of plan under $3000 per year 2% of earnings over $3000 per year.	$1\frac{1}{2}$% of total earnings as a member of plan
(ii) Past Service	1% of basic annual earnings as at effective date of plan, for each year of past service after age 35	$1\frac{1}{4}$% of annual rate of earnings at effective date of plan, for each year of past service	1% of annual earnings at effective date of plan multiplied by years of past service minus 5.
(b) Vested rights on termination of employment before retirement age	Paid-up annuity based on employee contributions, plus a percentage of employer contributions if service over 11 years	Over 15 years service: paid-up annuity based on past and future service benefits accrued. Under 15 years: future service benefits resulting from 3% contributions only	Refund of employee contributions as cash or annuity; percentage of employer contributions if service over 5 years
(c) Survivors' Benefits			
(i) Death before retirement	Lump sum equal to employee contributions plus interest, plus a percentage of employer contributions if service over 11 years, and if the employee's death occurred after 20 years' service and after age 50, a further lump sum equal to all the employer's past service contributions plus interest	If age at death over 55 for men, over 50 for women, beneficiary receives reduced pension for 10 years. Under such age, total employee contributions refunded, with interest only on 3% contributions	Refund of employee contributions
(ii) Death after normal retirement	5 years payments guaranteed, or other options	10 years payments guaranteed, or other options	5 years payments guaranteed
Eligibility Requirements			
(a) Eligibility to join plan	Regular employees with 2 years service, aged 25-59 men, 25-54 women. Employees past age limit receive pension of 1% of final salary for each year of service after age 35	Regular employees with one year's service, men under 65, women under 60	Regular employees, aged 21 or over, one year's service for men, 3 years service for women
(b) Normal age of retirement with pension	Men 65, women 60, earlier or later in special circumstances	Men 65, women 60, earlier in special circumstances	Men 65, women 60 but if under 10 years service men retire at 70, women 65
Effective Date	March 31, 1948	July 1, 1939	April 30, 1947

GROUP PENSION PLANS

George Weston Ltd.	Canadian National Railways	Canadian Industries Limited	Federal Civil Service
Trustees selected by Board of Directors	Canadian National Railway Company as trustee	Future service liabilities funded under trustees selected by Company	Canadian Government
3½% of earnings for future service pension	Zero to 10% of earnings at option of employee, toward supplemental pension	None	5% of salary $1,200 or less yearly. 5½% of salary $1,200–$1,500 yearly. 6% of salary over $1,500. All females 5% of salary
Balance of cost of future service pensions (4·7%) and entire cost of past service pensions	Matches employee contribution up to 5% of earnings, plus total cost of basic pensions and past service pensions	Total cost of plan; periodic contributions to trust fund to cover future service liabilities	Balance of cost of plan
1½% of aggregate earnings while contributor to plan unless minimum pension (below) applies	Basic pension $300 annually, plus supplemental pension determined by above contributions	1% of average annual earnings during final ten years, multiplied by number of years service	2% of average earnings during last ten years, for each year of service up to 35 years
For employees with 5 years or more past service, prior to 1946 minimum pension is 30% of 1946 earnings	If over 10 years past service, service pension replaces basic pension unless basic pension is greater. Service pension—1% average annual earnings for best 10 years multiplied by years of past service (1)	Same formula as future service	Same basis as future service, if employee elects to make contributions for past service. Includes overseas service in forces, employment as temporary civil servant, or other pensionable employment.
Paid-up pension based on own contributions, also on a percentage of employer's contributions if service over 10 years; or cash refund of own contributions without interest	Employee contributions refunded with compound interest; no interest on contributions during first 10 years service	None	Retiring allowance on leaving before retirement age, after ten years or more service, due to disability or abolition of position. Under other circumstances, adjusted retiring allowance, or gratuity, or return of contributions without interest
Refund of employee's contributions plus interest	Refund of employee's contributions plus interest	Life Insurance Benefit Plan separate from pension plan, provides $1,500 to named beneficiary if close relative, otherwise $300	If 10 years' or more service, allowance to widow equal to one-half of allowance payable if contributor had reached retirement age at date of death. Small allowance for children. If service under 10 years, small allowance or gratuity
5 years payments guaranteed	Dependent on type of annuity selected by employee	See above item	Allowance to widow equal to one-half of pension received. Small allowances for children
2 years continuous service, men under 50, women under 45	Basic pension: begin service before age 45, continue to age 65. Supplemental pensions: 10 years continuous service before employer contributions begin; employee contributions may begin on entering service if under 55	All regular employees from date of employment	All permanent civil servants appointed after effective date of plan, having passed medical examination; those appointed earlier who elect to join
65 for men, 60 for women, earlier under special circumstances	Normal: 65, after 20 years Disability: 60, after 20 years Voluntary: 60, after 35 years, or after 30 years at reduced pension	Compulsory at 65 after 15 years' service. Voluntary at 60 after 30 years' service Disability, any time after 15 years' service	Retirement permitted at 60 Retirement compulsory at 65, with few exceptions
December 1, 1946	January 1, 1935	September 26, 1919	July 19, 1924

1) C.N.R.—When past service exceeds 10 years, if service pension, plus supplemental pension purchasable by 5% matched contribution, does not equal 1% of average earnings of last ten years, for each year of service the difference is made up by the Company.

or of premiums during the remaining years of service of the employees concerned.

The maximum deduction for income tax purposes, in any one year, allowed under this heading is one-tenth of the total past service liability. It is usual, therefore, for employers to plan to fund the whole sum by regular contributions over a period of ten years or somewhat longer.

Pension benefits for past service, under the same regulations, may not exceed those for future service. In fact, as the table shows, the rates of past service benefits are usually lower, in proportion to length of service and the earnings of the employee. This is most likely to be true of contributory plans, due to the difficulty of obtaining additional contributions from employees.

Within the general category of funded plans, two further types must be distinguished: the contributory and the non-contributory. Under a contributory plan, the employee as well as the employer contributes to the pension fund. Under a non-contributory plan, the employer pays the total cost of the pension. Plans under which the employee contributes, but not the employer, are nowadays rare, except as a voluntary supplement to the company's basic pension plan; as basic plans, they would not be approved by the Department of National Revenue.

The table shows several examples both of contributory and non-contributory plans. The survey of pension plans made by the Dominion Bureau of Statistics in 1947 showed nearly 250,000 workers covered by non-contributory plans, and about 380,000 by the contributory type. The latter group includes the large railway pension plans. Excluding the railways, the survey showed that the non-contributory plans were, on the average, much larger than the contributory ones, since they covered an average of about 400 workers apiece, while the average contributory plan covered only about 70 persons.[1]

Since pension plans in Canada have only recently become an object of collective bargaining, it is evident that many of the existing non-contributory plans have been set up on the initiative of employers. Employers may often favour the non-contributory type of plan, because of its greater economy in administration, because the employer is likely to have more control of its management, and because it increases his influence with his employees.

The contributory type of plan, however, also has advantages. From the point of view of management, it has the advantage of making employees conscious of the cost of their pensions. From the point of view of labour, it increases the financial independence of the employee, and is likely to provide him with a larger pension and greater vested rights in the pension fund.

What Benefits Does the Plan Provide?

The principal benefit is obviously the pension itself. Every pension plan contains a formula by which the rate of pension for each employee is accurately determined. As the table shows, there is wide variety in the formulae used, although the majority of them show a general similarity. In nearly all cases, the annual pension is calculated as a certain small percentage of the employee's average annual earnings, multiplied by the number of years of service. If average earnings are computed from the employee's years of highest earnings, or from the last five or ten years of employment, rather than from his total period of service, the rate of pension is usually increased. In such a case the percentage of such earnings used in the calculation of the pension may be reduced, for example, from $1\frac{1}{2}$ to 1 per cent, or the contributions may be higher, or other benefits from the plan may be reduced.

Supplementary pension plans are sometimes provided in addition to the basic pension plans, for the use of employees who wish to increase their rate of pension by additional voluntary saving of their own. Such supplementary plans are intended especially to serve employees who began to work for the firm at a relatively advanced age, and whose pension rates would therefore otherwise be low.

The vesting policy of a plan is a feature which any employee must consider, in estimating the prospective benefit of the plan to himself, in addition to the expected rate of pension. If the plan grants vested rights to the employee, this means that he has a claim to a certain part of the accumulated pension fund. If his employment should terminate, after a certain number of years of service, he is entitled either to a cash payment from the fund, or to a part pension at a future date, the amount of which will depend on the length of his service with the company.

Most Canadian private pension plans now grant the employee vested rights. The employer's contributions to the fund are irrevocable, and the whole fund at any time is therefore vested in the employees. If the plan is wound up, the fund must be divided among the employees, in the form of pensions, part pensions, or cash refunds,

[1] Cf. "Pension and Welfare Plans in Canadian Industry", in LABOUR GAZETTE, June, 1949, pp. 694-700.

depending upon their length of service and other circumstances. Such provisions are required if the plan is to qualify for income tax exemption.

This does not mean that an employee who leaves a firm after only one or two years' service will enjoy full vested rights. If he has himself made contributions to the fund, he is always entitled to have them returned to him, with or without interest, either as cash or as a future annuity. But in most cases, he will have no claim to the sum contributed by his employer on his behalf, unless he has been with the company for a considerable number of years. Partly as a result of Canadian income tax regulations, the most common practice at present is to vest part of the employer's contributions in the employee after ten years' service, and to grant full vesting after twenty years. Other variations are shown in the table.

This does not mean that the employee, after twenty years' service, can withdraw from the pension fund in cash the total sum represented by his own and the employer's contributions. Even if he is leaving the company, it may be that the greatest cash refund he can obtain is the total of his own contributions with or without interest. To enjoy his vested right to his employer's contribution, it is likely that he will have to leave the whole sum, including his own contribution, in the pension fund until he can receive it as an annuity at the normal retirement age.

Vesting helps to some extent the older worker who finds it necessary to change jobs, since it provides him at least with a part pension, proportioned to the time he has spent with the company. It does not greatly help a worker, however, who changes jobs every five or ten years, since this period is not usually long enough for him to gain full vested rights.

Who are Eligible for Benefits?

This problem may be broken down into two sets of more detailed questions:—

(1) Which employees are permitted to join the plan? How many years of service are required before joining? Is there a maximum age after which the employee cannot join?

(2) What is the normal retirement age for male and female employees respectively? What is the minimum number of years of service required to qualify for a pension?

The table gives brief answers to these questions for the seven plans analyzed. It is evident that these questions are closely interdependent.

Not all of the questions are applicable to all plans. The question, which employees are permitted to join the plan, and at what date, applies chiefly to contributory plans, since the employee on joining begins to pay contributions. Joining the plan is often compulsory, except for employees hired before the plan was inaugurated.

In a non-contributory plan, all permanent employees are usually included automatically, but a certain minimum length of service is usually required before retirement to qualify for a pension.

The normal retirement age is most often 65 for men and 60 for women. Most plans allow earlier retirement on reduced pension in cases of disability or under other special circumstances.[1] Many plans permit later retirement, in approved cases. Two of the plans shown in the table set forth, instead of a fixed retirement age, a schedule of ages at which retirement is permitted, decreasing as length of service increases.

It is evident that the earlier the age of retirement on pension, the greater the cost to the plan of a pension of given size. For this and other reasons, many people now consider that retirement at 65 may be unduly early.

Discrimination between different classes of employees in granting pension rights is forbidden by the Canadian income tax regulations, especially discrimination between high and low salary classes. The coverage of the plan may be restricted to certain well-defined classes of employees. Part-time, temporary, or seasonal workers are practically always excluded. There may be different eligibility requirements for males and females.

Cost of a Pension Plan

In concluding this section, it may be appropriate to mention the principal factors affecting the cost of a pension plan, some of which have now been discussed. The most obvious factor is, of course, whether the pensions are large or small. There is also the degree of security provided, a fully-funded plan being more secure and more costly than one partially funded, and

[1] A system of pensions payable only in case of disability has been established for members of the United Mine Workers, District 18, in Alberta, Saskatchewan, and British Columbia. These pensions are paid from the "Welfare Fund" a trust fund established as a result of collective bargaining, to which the employers pay the sum of fifteen cents (three cents in Saskatchewan) for every ton of coal sold or used. A pension of $60 per month or less is paid to union members "mentally or physically disabled as the result of long service in the coal-mining industry" to such an extent as to be partially or wholly unemployable.

a pay-as-you-go plan being the cheapest at the beginning, but in the long run the least secure. A generous vesting policy is more costly than a parsimonious one. Costs are also affected by the age distribution of present and future employees, the expected mortality rates of employees before and after retirement, and of course the retirement age. Among the numerous other factors which might be mentioned are the rate of labour turnover and the type of administration selected for the plan.

Of external economic factors affecting the cost of the plan, the most important is the prevailing rate of interest, which must determine the rate of interest assumed by the actuaries in calculating contributions and benefits. The decline in interest rates since 1929 has greatly increased the cost of a pension.

CURRENT ISSUES

The increased interest in old age pensions during recent years, referred to earlier in this article, implies much discussion of the advantages and disadvantages of industrial group plans and of their relation to an over-all security program for older workers. These more active discussions of industrial pension plans spring, to a large extent, from a greater emphasis placed on the need for pensions for older workers by Canadian trade unions.

Until the last year or two pension plans had not been an important factor in collective bargaining within Canadian industry. The recent bargaining on plans in the United States[1] and the great concern about social security problems shown by Canadians of all ages, have led some Canadian unions to press for pensions, especially in industries where no plans are already in effect. The establishment of pension plans was listed as an issue in a number of strikes which took place in Canada during 1949. Moreover, a recent conciliation board recommended the establishment of a plan in the automotive industry.

More detailed information on individual industrial pension plans is required to assess their contribution towards a solution of the general problem of economic security for Canadian workers. However, some broader aspects of group pension plans and of national social security measures for older workers might be mentioned briefly in this final section.

One of the principal limitations of many industrial pension plans is lack of provision for the worker to transfer his full pension credits should he change employers. Even if the second firm also has a pension plan it seldom recognizes the previous experience of the worker. The worker's vested rights usually depend to an important extent on the length of employment with a company. Thus if he is to receive an adequate pension he must usually remain at least twenty years with a single employer.

This constitutes a restriction of the workers' mobility and often will tie him to a given firm even though it may be in the interests of the worker and of the economy that he move elsewhere. From the point of view of the employer also, the credit of the employee in a pension plan may deter the employer from discharging him even though he may be less productive than the average or redundant to the activities of the firm.

The inability of the worker to retain his credit toward a pension when transferring from job to job may react to the disadvantage of older workers seeking employment. Firms may be hesitant to hire workers who are relatively close to retirement age as it may require retiring the worker at a low pension. Such a problem is not easily overcome. The basic need appears to be for the coverage of all workers or at least for the extension of vested rights which the worker can carry with him.

One further result of a pension plan is the necessity of setting a definite age for retirement, usually sixty-five years for men and sixty for women. Against the advantage of such a retirement policy, must be balanced certain disadvantages in the encouragement of retirement from the standpoint of the individual and the industry. In some cases workers on reaching the retirement age are still capable of a valuable contribution. Medical advances which have lengthened life have also probably lengthened man's potential working career. Too early retirement, therefore, may be wasteful and may even shorten the life of the individual concerned. Besides

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[1] The collective bargaining activity concerning pension plans in the United States has centred about three industries—coal, steel and automobile. In these industries the unions have bargained for regular employer contributions to a pension fund. The resulting plans are employer financed, but it is to be noted that the plans are devised as supplements to the Government Social Security program which is employee-employer financed. In Canada, no over-all pension scheme exists, and the unions which have bargained on this issue have urged a full pension as compared with the partial pension requested by the American unions. Almost all of the unions which have carried on these negotiations for industrial pension plans have been industrial unions and represent large bodies of employees of a single employer.

there is an increasing number of jobs requiring light manual labour which might be performed by older workers who would otherwise retire into inactivity.

The initial cost of a pension plan, depending on the nature of the plan, is often high and once embarked on, the current expenses must be paid as an annual charge. The total cost of a pension plan must also be considered in the light of other cost items.[1] In some industries where labour costs are already relatively high, the effect of an additional expense may have a more important effect on the competitive position of the industry than where labour costs are relatively small.

The main over-all limitation of the system of industrial plans today, from the point of view of the worker, as has been stated above, is its restricted coverage. Three-quarters of the wage and salary workers in Canada today are not covered, in addition to most of the "own account" and other members of our labour force not earning wages and salaries.[2] Many of the workers who are not covered could not readily be included in industrial pension plans. This is one of the factors which has led to a demand for a national pension program. Representatives of management and of labour have recently advocated the setting up of such a plan.

It is evident that the establishment of an over-all public program would assist in overcoming some of the difficulties mentioned above. But the introduction of such a plan by the federal government presents certain other difficulties. First, there must be agreement between the federal and provincial governments on financial arrangements. A second consideration is the magnitude of the cost involved in an over-all pension plan. Pension plans at the levels now advocated in various quarters would require the increase of government social security payments to from one-and-a-half to four times their present level.[3] An expenditure of this size on one section of the population requires a willingness on the part of the remaining sections to meet the cost. These are two of the problems which the recently established Joint Committee on Old Age Security of the Senate and the House of Commons has under consideration.[4] They are also expected to be discussed at the Federal-Provincial Conference later this year.

With the introduction of an over-all old age security program, there would still appear to be a place for industrial pension plans. While a broader plan might establish a higher minimum of old age security for a large part, or perhaps all, of the population, there would be room for supplemental pensions, provided by the group plans of individual industries. In the meantime these industrial pension plans are making a substantial contribution to the income security of many older persons.

[1] Under the Canadian Government Annuity Plan the total cost of an annuity of $50 monthly purchased at age 65 with monthly payments to start immediately would be $7,150 and a $100 annuity would be $14,300. Annual payments from age 35 to give similar annuities would be $145 and $290 respectively.

[2] Out of a total of 5,100,000 in the labour force, 950,000 are "own account" workers; 250,000 are employers with their own business or profession; 3,600,000 are paid workers; and 300,000 are unpaid family workers.

[3] Estimates of total cost made by the Department of Health and Welfare show a monthly pension of $40 for all persons over 70 years of age would cost $323 million in 1951, $417 million in 1961 and $500 million in 1971. A $100 monthly pension for all persons over 60 years would cost between $2 and $2.5 billion. Some conception of the magnitude of this expenditure is gained when it is realized that all present social security payments by the federal government total approximately $700 million. (Hansard, March 10, 1950, p. 640.)

[4] For the terms of reference of the Committee see page 428 of this month's Labour Gazette.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

THURSDAY, MAY 18, 1950

WITNESS

Mr. G. L. Holmes, Assistant General Manager and Actuary, The Manufacturers Life Insurance Company, and Chairman of the Canadian Life Insurance Officers Association's Committee, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

THURSDAY, May 18, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11:00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Fogo.

The House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Croll, Ferrie, Fleming, Knowles, Laing, MacInnis, Macnaughton, Picard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare; the following representatives of The Canadian Life Insurance Officers Association: President: Mr. G. C. Cumming, General Manager, The Monarch Life Assurance Company, Winnipeg; Immediate Past President: Mr. H. L. Guy, Assistant General Manager, The Mutual Life Assurance Company of Canada, Waterloo; General Counsel: Mr. R. Leighton Foster, K.C., Toronto; Secretary and Actuary: Mr. Bruce R. Power, Toronto; Chairman of the Association's Committee appointed to prepare brief: Mr. G. L. Holmes, Assistant General Manager and Actuary, The Manufacturers' Life Insurance Company, Toronto; a Member of the said Committee, Mr. James Hunter, Assistant General Manager and Actuary, The Continental Life Insurance Company, Toronto.

Mr. Foster introduced to the Committee his associates of the Canadian Life Insurance Officers Association present.

Mr. Holmes presented the Association's brief which was taken as read and, by order of the Committee, is incorporated in this day's Minutes of Evidence.

Examination of Mr. Holmes followed. Questions were also answered by Messrs. Cumming, Hunter and Power.

At 1.10 p.m., witness retired and the Committee adjourned until Friday, May 19, at 11:00 a.m.

R. ARSENAULT,
Clerk of the Committee.

62651—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, May 18, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m., Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Senator King, Senator Fallis and gentlemen, we have a quorum. The gentlemen who are sitting on my right are the representatives of the Canadian Life Insurance Officers Association. I am sure that all the members of the committee will join with me in expressing our gratitude to the association for having sent us a very comprehensive and very good brief. Of course, with all your capacity and titles, gentlemen, there is no doubt that the members of the committee will ask much from you, and I know that they will be as highly interested in your answers as they have been in reading your brief. Mr. R. Leighton Foster, K.C., is the legal adviser of the association and he will now present to the members of the committee the representatives of the association who are going to give the answers.

Mr. FOSTER: Mr. Chairman, Senator King, Senator Fallis, and members of the committee: your own gracious introduction makes it unnecessary for me to say very much except to identify for you the people who are here at your invitation this morning. The association has been holding its annual meeting this week and we have here in the person of Gordon C. Cumming, General Manager of the Monarch Life Assurance Company of Winnipeg, the new president of the association. We also have on his right the immediate past president of the association, Harry L. Guy, who is the assistant general manager of the Mutual Life Assurance Company of Waterloo. The chairman of our committee who is sitting right next to me is Mr. George L. Holmes, assistant general manager and actuary of the Manufacturers' Life Insurance Company of Toronto; while on his right is Mr. Bruce R. Power, secretary and actuary of the association. And between Mr. Power and Mr. Cumming is Mr. James Hunter, the assistant general manager of the Continental Life Insurance Company of Toronto. I think that Mr. Holmes, in his capacity as chairman of our special committee, might be the person to whom you ordinarily would direct your questions.

The CHAIRMAN: I understand that all the members of the association at their annual meeting, approved entirely of the brief.

Mr. FOSTER: That is so, Mr. Chairman.

Mr. CHAIRMAN: Your association is formed of representatives from all the life insurance companies doing business in Canada?

Mr. FOSTER: Yes, Mr. Chairman. There are 63 life insurance companies in Canada, 61 of which are members of the association, and the two which are not members are less than three years old, I think.

Mr. G. L. Holmes, Assistant General Manager, Manufacturers' Life Insurance Company, Toronto, called:

By the Chairman:

Q. Now, Mr. Holmes, have you any additional comments you would like to make at the start before I ask the members of the committee if they have any questions?—A. I would like to make some comments, Mr. Chairman. We are representing the association here. Now, the product which these member companies of the association sell is very largely insurance against loss of earned income in case of death, of the income earner and insurance against the loss of earned income due to the old age of the insured. This puts these companies in a business very closely related to the subject of old age benefits. That is, on a voluntary basis, we are trying to do the very thing that is being considered here by the state on a public basis.

Owing to the close relationship of our business to state old age benefits, quite a number of the employees of our representative companies—the men who really run the association—have for some years had some familiarity with old age benefits. A few of them could be classified as experts on old age benefits. Our committee which prepared this submission represents 16 companies. Most of the members were very active in preparing this submission. Besides that, we had a meeting earlier, before the submission was put in its present form, of a much wider group of members who took an active part in outlining the basis of this submission. In addition as soon as this final draft was submitted to this committee, a copy was sent to each member company. As you have been told, we have just had our annual meeting ending yesterday, and this submission has the complete approval of the association. I just wanted to assure you that this is not just the work of a small group of men, tacitly accepted by the association, but it is a work which has involved a large number of members and which has the complete approval of the association. As I have said, the association includes a large number of men who have been interested in this subject not only in the past but also at the present time.

The heart of this submission is of course on page 3, where we state the general principles which in our opinion should be part of a successful state old old age benefit plan:

1. The benefits should be payable to all elder Canadians without a means test but subject to a reasonable residence qualification.

Mr. Ferrie: Do we ask questions as we go along, Mr. Chairman, or wait until the end?

The Chairman: You do not have to read the brief, Mr. Holmes. We will incorporate it in the evidence at this point.

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

ORGANIZED IN 1894

SUBMISSION MADE TO THE JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON OLD AGE SECURITY

To the Chairmen and Members of the Joint Committee of the Senate and the House of Commons on Old Age Security:

This submission is presented on behalf of The Canadian Life Insurance Officers Association, a voluntary organization whose membership consists of 61 Canadian, British and United States life insurance companies carrying on business in Canada. These companies have in force approximately \$14½ billions of life insurance representing upwards of 99 per cent of the total life insurance (excluding fraternal benefit insurance) held by nearly 5 million Canadians. They are listed at the end of this submission.

A substantial proportion of the $14\frac{1}{2}$ billions of life insurance protection presently in force in Canada will ultimately be used to take care of policyholders or beneficiaries during their old age. In addition, the companies have issued annuity benefits in large volume and many Canadians have adopted this method of making provision for their retirement years. At the end of 1948, the companies were making payments of nearly $9\frac{1}{2}$ millions annually to more than 22,500 annuitants in Canada; at the same time, about 190,000 Canadians were purchasing individual deferred annuities, or were covered under group annuity contracts, guaranteeing the payment upon maturiry or the attainment of retirement age of amounts aggregating in excess of $135 millions per year. A table giving more detailed information about the volume of annuity benefits issued by the companies in Canada is appended to this submission.

The Association appreciates this opportunity to make a submission to your Committee and hopes that the opinions and suggestions expressed herein will constitute a worthwhile contribution to your deliberations. The question of deciding on the proper method of providing benefits for the aged is not an easy one, and yet it is of the utmost importance to the economic future of Canada and to all Canadians that the best possible solution of this problem should be found.

In endeavouring to solve the problem of old age security, the Association believes that all individuals should be encouraged to provide for their own old age by practising individual thrift during their working years. The companies represented in this Association are actively engaged in the process of persuading Canadians of all economic classes to save for their old age and for the security of their dependents. It is recognized, however, that there are some who cannot or will not save, and that these persons must be supported when they can no longer work. These people represent the basic problem that any federal old age security plan can be expected to solve and they will be the prime beneficiaries of the system.

In our study of the problem we have weighed the present system of old age benefits against the possible alternatives. The present system of imposing a means test is the most direct method of looking after the indigent aged and has the advantage of keeping the cost to a minimum. As the number of persons qualifying for benefits increases, however, the difficulties of administration increase and the detrimental effect on the incentives to work and save become more serious. The Association believes that the alternative which it proposes will remove these defects of the present system. It therefore recommends that a federal old age security plan be established in Canada subject to any necessary constitutional amendments, and that the benefits should

1. be payable to all elder Canadians without a means test but subject to a reasonable residence qualification;
2. commence at a specified age which, because the benefits will be payable to all, should probably be age 70;
3. be fixed at a level which can be financed without placing an undue burden on Canada's present and future productive capacity;
4. be paid in the same amount to all;
5. be subject to partial recovery through income tax in the case of recipients having significant income from other sources; and
6. be financed in full on a "pay-as-you-go" basis by an old age benefit contribution payable by residents of Canada on a basis as broad and equitable as possible.

The balance of this submission will be devoted to an amplification of the foregoing principles and an explanation of why each is believed to be of major importance.

1. *The benefits should be payable to all elder Canadians without a means test but subject to a reasonable residence qualification.*

It is believed that old age benefits should be payable to all on a universal basis because this is the most practicable way, apart from imposing a means test, of making sure that everyone who needs assistance in old age will receive it. Such a method would simplify the operation of the plan by eliminating the necessity of keeping detailed records and by avoiding the difficulties that inevitably arise under plans covering only a portion of the population as a result of the constant movement of workers between "covered" and "non-covered" employment. Attention is also directed to the facts that discrimination between different segments of the population would be avoided, and that the free movement of labour from one industry to another would not be impeded. The provision of benefits on a universal basis would have the additional important advantage of affording a basic "floor" of old age protection on which persons in all income classes would be able to build by their own efforts during working years.

Persons who take up residence in Canada at an advanced age should not be entitled to benefits unless they meet a reasonable residence qualification.

While it is obvious that the imposition of a means test has an important effect in minimizing the cost of any plan of old age benefits, it is believed that it should not in future form part of any federal plan. Means test benefits are difficult to handle on a fair and equitable basis unless paid for and administered locally. Benefits available on a means test basis are uncertain, since the right to such benefits and their amount depend, to some extent, on the judgment of the officials administering them. Those who qualify for only partial benefits justifiably feel that they are being discriminated against when an improvident neighbour who has saved nothing during his working years may end up in just as good a financial position through his ability to qualify for full benefits. An even more important objection to the means test, among the large body of people in receipt of low or moderate earnings, is that it destroys the incentive to accumulate personal savings and to continue as long as possible in useful employment. It is believed that these are serious defects and that it is vital that all Canadians should be encouraged in every way possible to continue practising the virtue of thrift, and to maintain their self-reliance by assuming some degree of personal responsibility in providing for their own old age.

Of course it is appreciated that some form of means test will continue to be used by local authorities in providing supplementary old age assistance to those relatively few needy individuals for whom it is necessary.

2. *The benefits should commence at a specified age which, because the benefits will be payable to all, should probably be age 70.*

3. *The benefits should be fixed at a level which can be financed without placing an undue burden on Canada's present and future productive capacity.*

The Association is of the opinion that old age benefits should commence at a specified age (probably age 70) and that the amount thereof should be fixed at a level which can be financed without placing an undue burden on the population of working age. There seems to be little doubt that the selection of the commencement age and the determination of the level of the benefits to be paid will be dictated in the main by the cost involved and the financial strain which the Canadian economy can reasonably be expected to bear. In this connection, it must always be borne in mind that the aggregate amount of the benefits payable *at any given point of time* is a direct charge on the goods and services produced *at such time*. Should old age benefits be granted for too high an amount or at too early an age, the group of recipients, although making a negligible contribution to current production, might, with their other resources,

enjoy a purchasing power which was disproportionate to that of the population as a whole. In this connection, it is significant to point out that the budget papers tabled by the Minister of Fnance on March 28, 1950, indicate that all Canadians on the average spent in the purchase of personal goods and services an amount of $65 a month in 1948 and $68 a month in 1949. It is obvious that, quite apart from the cost factor, the benefits payable to the aged under a federal plan should not in any event even approach such a level, since most people who have reached benefit age have personal savings, private pensions, or access to family or other resources.

With further reference to the selection of the benefit age, it may be noted first that the primary function of a federal system of old age benefits should be simply to guarantee that Canadians will not be destitute when they reach an age at which most people are no longer able to work. Its effect should not be to establish an "employee pension plan" on a nation-wide basis which would stimulate the withdrawal of citizens from the labour market at a time when they are still able to make a worthwhile contribution to the productivity of the country. The proportion of the aged in the Canadian population is continuously increasing, and, under such conditions, the country can ill afford to discourage any part of the population, which is able and willing to work, from accepting suitable working opportunities. During the past half century there has been a substantial increase in longevity and a marked improvement in the general level of health, and in most occupations working conditions have become less onerous and hours of work much shorter. The result is that people should now be able to continue in some form of employment longer than was previously the case. It is believed that on the average people lead happier, more contented lives if they remain occupied in some suitable way as long as possible and that, in any event, they should not qualify for federal old age benefits earlier than an age at which a substantial proportion of the population is no longer capable of performing useful work.

4. *The benefits should be paid in the same amount to all.*

It is believed that benefits should be of "flat" amount because of the conviction that the state should not discriminate between different economic classes of citizens in determining the rate of the benefits to which they are entitled. Such a method has the collateral merit that the amount payable to those who have had low earnings represents a larger proportion of their normal income than in the case of those in the higher income brackets. It follows that, for any given total benefit outlay, those who are likely to be most in need of assistance during old age receive benefits more nearly approaching their requirements under a "flat" benefit plan than under a plan providing graded benefits. "Flat" benefits also have the important advantages of simplicity and economy of administration by eliminating the necessity of maintaining detailed records of prior coverage or income.

It is also believed that the payment of "flat" benefits would facilitate the integration of existing employee pension plans with any plan that may be inaugurated by the state. For example, if a particular employee pension plan provides for the commencement of benefits at an age five years younger than the benefit age under the federal plan, it would be a relatively simple matter to modify the form of the pension payable under such plan so that a larger amount would be payable during the first five years and a somewhat smaller amount thereafter when the retired employee qualifies to receive old age benefits under the federal plan. By such a method of integration, the employee would be assured of receiving benefits of substantially level amount throughout his retirement years.

The plan of old age benefits in effect in the United States provides for the payment of graded benefits which are related to the previous income status and coverage period of the recipient. It may be suggested in some quartres that a

plan of this kind be established in this country. It may well be that there are compelling or persuasive reasons arising out of wide variations in living costs due to climate and other special conditions in the United States which may make the graded benefit approach appropriate for that country. However, the Association feels that the adoption of such a proposal would not be in the best interests of Canada for the following reasons:

(*a*) it is not believed that the function of a federal plan is to provide benefits related to the previous economic status of the individual but rather to assure, by a method which preserves and encourages individual thrift and incentives to work, that Canadians will not be destitute in old age;

(*b*) the provision of graded benefits would impose upon the state the substantial cost of maintaining for every individual elaborate, long-term records of coverage and of earnings or income;

(*c*) under a system of graded benefits related to the individual's contributions, it is impossible to provide benefits on a universal basis or even to all who need assistance in old age because in a country such as Canada there are large numbers of persons who frequently move in and out of the labour force, and back and forth as between paid employment, unpaid family employment, and self-employment;

(*d*) such a system pays the largest benefits to that portion of the population which is best able to make some personal provision for old age through normal forms of savings, including investments in homes, farms, or individual business enterprises, and the high contributions required for the larger benefits may hamper these normal savings processes; and

(*e*) a system providing graded benefits related to the individual's contributions disregards the immediate and pressing problem of the treatment to be accorded to the good population at the time the plan is inaugurated and, in fact the existing aged and those reaching benefit age for many years to come would be required to rely on assistance benefits at least in some measure.

5. *The benefits should be subject to partial recovery through income tax in the case of recipients having significant income from other sources.*

From the point of view of cost and of maintaining equity amongst all taxpayers, whether working or not, it is suggested that old age benefits should be recoverable in part through the medium of income tax.

6. *The benefits should be financed in full on a "pay-as-you-go" basis by an old age benefit contribution payable by residents of Canada on a basis as broad and equitable as possible.*

The adoption of the "pay-as-you-go" method of financing would mean that the cost of benefits to the current aged population would at all times be met by contributions from the current population as a whole. Apart from the desirability of collecting contributions on a basis as broad and equitable as possible, the Association believes that the contribution system should be a simple one from the point of view of both understanding on the part of contributors and practicality of administration. There are many different types of contribution system which could be suggested, of which the following are examples which seem to combine in varying degrees the principles of widespread impact, equity understandability and ease of administration:

(*a*) a contribution payable as a percentage of personal income disregarding all income in excess of some specified maximum;

(*b*) a contribution of flat amount payable by all adult Canadians below benefit age; or

(*c*) a sales tax levied on a broad group of items in more or less universal use.

Speaking in the House of Commons on March 10, 1950, the Minister of National Health and Welfare presented a schedule of the costs involved in providing universal old age benefits without a means test for a variety of different ages and amounts. This schedule included the following figures:

Benefit Amount and age	Aggregate Cost of Benefits In 1951	In 1961	In 1971
$30 monthly at age 70	$242,820,000	$312,948,000	$375,156,000
$30 monthly at age 65	$396,504,000	$494,100,000	$586,800,000
$40 monthly at age 70	$323,760,000	$417,264,000	$500,208,000
$40 monthly at age 65	$528,672,000	$658,800,000	$782,400,000

Based on these aggregate cost estimates, there follows a series of tables illustrating the approximate contribution rates required in 1951, 1961 and 1971 under each of the above-mentioned contribution methods to provide benefits of $30 and $40 monthly at age 70 and age 65:

Contributions as a Percentage of Personal Income

Benefit Amount and Age	Portion of Annual Income Subject to Contribution	Contribution Rate Required In 1951	In 1961	In 1971
		%	%	%
$30 monthly at age 70	First $2,000	2·4	2·8	3·1
"	" $3,000	2·2	2·5	2·8
"	" $4,000	2·1	2·4	2·7
"	" $5,000	2·1	2·4	2·6
$30 monthly at age 65	First $2,000	4·0	4·4	4·8
"	" $3,000	3·5	3·9	4·3
"	" $4,000	3·4	3·8	4·2
"	" $5,000	3·4	3·7	4·1
$40 monthly at age 70	First $2,000	3·2	3·7	4·1
"	" $3,000	2·9	3·3	3·7
"	" $4,000	2·8	3·2	3·6
"	" $5,000	2·7	3·1	3·5
$40 monthly at age 65	First $2,000	5·3	5·9	6·4
"	" $3,000	4·7	5·3	5·8
"	" $4,000	4·6	5·1	5·6
"	" $5,000	4·5	5·0	5·5

Flat Contributions from All Adults Below Benefit Age

Benefit Amount and Age	Contribution Age Range	Annual Contribution per Person Required In 1951	In 1961	In 1971
$30 monthly at age 70	20 to 69	$30	$34	$35
$30 monthly at age 65	20 to 64	51	57	59
$40 monthly at age 70	20 to 69	40	46	47
$40 monthly at age 65	20 to 64	69	77	78

Sales Tax

Benefit Amount and Age	Rate of Tax Required on Retail Sales Prices In 1951	In 1961	In 1971
$30 monthly at age 70	4·2%	4·9%	5·4%
$30 monthly at age 65	6·9	7·7	8·5
$40 monthly at age 70	5·6	6·5	7·2
$40 monthly at age 65	9·2	10·3	11·3

NOTE—The foregoing approximate cost estimates assume that personal income and personal expenditure will increase from 1949 in the same proportion at the population and that the pattern of personal incomes relative to the national average per capita has remained unchanged since 1947 and will continue unchanged. It is also assumed in the case of sales tax that it would be applicable to one half of the total personal expenditure on goods and services. No assumption is made as to recovery from benefit recipients through income tax modifications and accordingly all of the estimates are subject to reduction in the ratio of any such recoveries to total benefits payments.

The foregoing cost estimates serve to highlight the fact that any nation-wide plan of old age benefits involving the distribution of extremely large sums of money requires substantial contributions to support it. It is also important to note that the approximate contribution rates given in the tables increase progressively in future years as the proportion of the aged in the Canadian population rises.

The opinion may be held by some that contributions should be shared by emplolyers and employees. Some of the reasons supporting such an opinion are that the inauguration of a federal plan of old age benefits would relieve employers of part of the cost of providing adequate pensions for their employees; that employees might, rightly or wrongly, conclude that their employers were receiving preferential treatment if they were not required to contribute; and that it is important to encourage employers to take an active interest in the problem of old age security by requiring them to share in supporting the plan financially. On the other hand, there is room for the view that every adult Canadian should be personally liable for the payment of his own contributions on the grounds that it is desirable to avoid any differential in contribution rates between the employed and self-employed. It may also be held that employer contributions are not appropriate in the case of a federal plan of "flat" old age benefits covering the entire population under which employers would still have a substantial responsibility to establish suitable pension plans for their own employees extending beyond the federal "floor".

It is the opinion of the Association that contributions should be collected on as broad a basis as possible so that virtually all adult Canadian residents will be bearing a reasonable share of the cost of financing the plan. It is further considered desirable that contributions should be collected in such a way that people will realize they are contributing to the support of the current aged. Moreover, it is suggested that, in any event, contributions received by the Government should not lose their identity by being merged with the Consolidated Revenue Fund but should be credited to a special account.

Although employee pension plans are often funded on an actuarial basis and the Association agrees with this practice for such plans, it does not feel it necessary or desirable that this practice should be followed in connection with a state old age benefit plan. The principal reasons why employee pension plans are funded are as follows:

(*a*) when an employee pension plan is inaugurated, the employees will have had varying periods of past service with the employer but no contributions by either will have been made to a fund. The employer may recognize these obligations by vesting assets in the fund sufficient to pay for the portion of pensions to be given for past service;

(*b*) when an employee pension plan is inaugurated, it is invariably the case that the present pensioners comprise a very small proportion of the total employees. Total contributions are set at a figure considerably higher than that required to pay present pensioners and the undistributed balance is accumulated in order to stabilize the contribution rate when pensioners become a larger proportion of the total employees;

(*c*) funding is used to guarantee the pension rights to which employees have become entitled, in the event that the employer becomes insolvent or closes the plan to new entrants.

None of the above reasons seems valid in the case of a universal plan operated on a naional basis.

Concerning (*a*) above, that is funding for past service, it would require a very large sum of money which the state has not available. If the state could set up such a fund for past service by the issue of bonds, the interest on these bonds and the principal, when used, would have to be paid for by the taxpayers. The total amount to be collected from the population at large to operate the fund would be unchanged by the adoption of this complicated procedure.

Concerning (*b*) above, it has been stated previously that the proportion of aged in the Canadian population is growing. This growth, however, is insignificant compared to the growth in the proportion of pensioners which may be expected under an employee pension plan. In fact, it is not uncommon over a

period for the number of active employees to decrease substantially while at the same time the number of pensioners continues to increase. While it would be possible under a federal old age benefit plan to levy a somewhat higher contribution than is required immediately for the payment of current old age benefits and to accumulate the balance in order to stabilize the contribution rate over the years, it does not seem that the increase in rate to be expected on account of the increasing proportion of aged in the population is so serious as to justify the involved accounting required. It is also felt that the accumulation of such a fund would be misunderstood and give rise to demands for increases in benefit which could not be afforded.

Concerning (*c*) above, it must be assumed that the state will continue in perpetuity with full taxing powers, in contrast with the lack of any assurance that an employer will continue indefinitely in business or enjoy perpetual profits.

The Association also wishes to direct attention to the fact that none of the plans in effect in the United States or in Commonwealth countries is funded on a full actuarial basis notwithstanding that in New Zealand and the United Kingdom, for example, there is a growing benefit load. In the United States, although the prospective benefit load of the plan will increase very sharply (much more so than in New Zealand and the United Kingdom), only a very limited amount of funding has been done. In fact, there appears to be little doubt that much higher contribution rates are going to be required in the future, perhaps supplemented by federal grants from general revenue.

The Association therefore wishes to emphasize that it attaches great importance to its suggestion that the plan should be financed in full on a "pay-as-you-go" basis. It is believed that contribution rates should be fixed over relatively short periods at a level which, together with anticipated recoveries through the medium of income tax, will produce an amount approximating closely to the expected cost of the benefits to be paid during each such period. It is the belief of the Association that such a basis of financing is best calculated to avoid unwise extensions or increases in the benefits payable under the plan since the working population will at all times be paying for the benefits being received by the current aged and may be expected to resist any proposals for their unwarranted augmentation. A simple and clear form of financing of this type will enable Canadians generally to form a wise judgment as to the level of benefits that should be paid in the light of the true costs involved. Any complication, which makes it more difficult to understand either the true source or amount of the money needed to finance the plan, requires weighty reasons to justify it. The Association does not believe such reasons exist.

7. *Conclusion*

The Association is most interested in the studies being conducted by the Special Parliamentary Committee into the whole question of old age security. The establishment of a federal plan to provide benefits to the aged involves many important questions that are vital to the future economic growth of this country. It is accordingly essential that the best possible answers to these difficult questions should be found. The Association is in full agreement with the view that some provision should be made for the aged population but at the same time reiterates its view that it is of paramount importance that any plan adopted should not destroy personal incentives to save and work but should rather encourage Canadians to supplement the old age benefits received from Government by their own personal efforts.

ANNUITY BENEFITS ISSUED BY LIFE INSURANCE COMPANIES IN FORCE IN CANADA

Individual Annuities

	DEFERRED		VESTED	
End of Year	Number	Annual Payment	Number	Annual Payment
1946	63,105	27,274,991	9,825	4,180,831
1947	68,303	29,580,097	10,448	4,502,733
1948	73,284	31,320,732	10,964	4,740,021

Group Annuities

	DEFERRED		VESTED	
End of Year	Number	Annual Payment	Number	Annual Payment
1946	78,836	56,962,099	2,962	1,098,003
1947	101,606	81,261,698	3,676	1,383,416
1948	117,695	103,949,888	4,555	1,835,718

Settlement Annuities

	Involving Life Contingencies		Not Involving Life Contingencies	
End of Year	Number	Annual Payment	Number	Annual Payment
1946	5,140*	2,210,846*	6,950*	3,350,000*
1947	6,006	2,474,865	7,055	3,564,613
1948	7,157	2,834,057	7,160	3,779,091

*These figures correct in combination but breakdown estimated.

Total for Annuities Involving Life Contingencies

	DEFERRED		VESTED	
End of Year	Number	Annual Payment	Number	Annual Payment
1946	141,941	84,237,090	17,927	7,489,680
1947	169,909	110,841,795	20,130	8,361,014
1948	190,979	135,270,620	22,676	9,409,796

Source: Annual Reports of the Dominion Department of Insurance.

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The Mutual Life & Citizens' Assurance Co. Ltd.	B. W. Robinson
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New York Life Insurance Company	Wm. Macfarlane
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The Travelers Insurance Company	R. C. Dimon
Union Mutual Life Insurance Company	R. E. Irish
The Western Life Assurance Company	O. S. McCombie

By Mr. Knowles:

Q. Perhaps Mr. Holmes might read the second point?

The Witness:

> 2. The benefits should commence at a specified age which, because the benefits will be payable to all, should probably be age 70.
>
> 3. The benefits should be fixed at a level which can be financed without placing an undue burden on Canada's present and future productive capacity.
>
> 4. The benefits should be paid in the same amount to all.
>
> 5. The benefits should be subject to partial recovery through income tax in the case of recipents having significant income from other sources.
>
> 6. The benefits should be financed in full on a 'pay-as-you-go' basis by an old age benefit contribution payable by residents of Canada on a basis as broad and equitable as possible.

Now, turning to page 11 we have a couple of pages on cost calculations. I want it understood that we have used the services of men in our organization who are pretty good statisticians, but who do not pretend to be expert practical tax men. These calculations are included as a matter of interest; and they are accurate, if you can say any estimates can be accurate. They are accurate estimates but they are not necessarily what would be collected by a tax on that basis. That is, there might be a certain amount of escape in tax on that basis.

The note gives a pretty good outline of the basis on which these estimates were made. There is one paragraph I would like to read. It is at the bottom of page 16, the last paragraph:

> The association therefore wishes to emphasize that it attaches great importance to its suggestion that the plan should be financed in full on a 'pay-as-you-go' basis. It is believed that contribution rates should be fixed over relatively short periods at a level which, together with anticipated recoveries through the medium of income tax, will produce an amount approximating closely to the expected cost of the benefits to be paid during each such period. It is the belief of the association that such a basis of financing is best calculated to avoid unwise extensions or increases in the benefits payable under the plan since the working population will at all times be paying for the benefits being received by the current aged and may be expected to resist any proposals for their unwarranted augmentation. A simple and clear form of financing of this type will enable Canadians generally to form a wise judgment as to the level of benefits that should be paid in the light of the true costs involved. Any complication, which makes it more difficult to understand either the true source or amount of the money needed to finance the plan, requires weighty reasons to justify it. The association does not believe such reasons exist.

I would just add one comment: we think it most unwise to adopt any plan in Canada which promises to pay benefits in the future which we are not prepared to pay to our present old people.

The CHAIRMAN: May we turn now to page 3 under the heading of "1. The benefits should be payable to all elder Canadians without a means test but subject to a reasonable residence qualification." Are there any questions on this section?

By Mr. Fleming:

Q. Mr. Holmes, I gather you attach great importance to the simplicity of administration of a universal plan providing for a flat pension payment to everyone. Have you made any calculation of the cost which might be saved by

adopting such a plan rather than a plan of graduated benefits based upon earmarked contributions?—A. No, Mr. Fleming; we have not made that calculation. I think it depends on how universal you want these earmarked benefits. I mean, there is a certain proportion of the population that you could earmark benefits for without heavy cost. It would be costlier than a simple plan; but the further you extend out to the fringes of people, the more costly it becomes.

By Mr. Knowles:

Q. Is it just the cost which made you come down on this side, or did you have some social philosophy behind these views?—A. We have not a social philosophy, but we very definitly give our reasons here.

By Mr. Croll:

Q. Did you come to your conclusion in the light of the American experience? You know the American plan. Did that influence you?—A. Our people have been familiar with the American plan of course ever since its inception and we have heard a great deal of discussion over there. There is a great difference of opinion over there as to whether or not that is the best plan, but we have quite uniformly come to the opinion that we do not think that that type of plan—one based on length of contribution and size of contribution benefits—should be part of the plan here.

Q. You are saying in effect that you do not think that the insurance principle which they apply would be applicable in Canada.—A. No, I do not think that.

Q. Well, then, put it in your own language?—A. We just do not; we think that the way things are done by private institutions is not necessarily the way a state should enter into it. We think that the cost figures are much clearer, and that it is cheaper to operate, and that it is fairer to the citizens if the state plan does not bear a direct relationship to the principle of the amount of contribution of the individual.

Q. We call that a social philosophy around here.

Mr. FLEMING: If anything is vague, we give it a big name.

Mr. KNOWLES: There is nothing vague about point 1.

By Mr. Fleming:

Q. You used the expression "subject to a reasonable residence qualification." We have had quite a difference of opinion. One group, yesterday, thought that a five years' residence was sufficient.—A. I do not think that we are qualified to answer on that, Mr. Fleming. I think that probably other people could give you better advice than we could. We know there should be something but we have not any special idea as to what that residence qualification there should be.

By Mr. Cote:

Q. What do you think of the present residence requirements under the existing Act?—A. Can anyone tell me exactly what they are?

The CHAIRMAN: 20 years.

By Mr. Knowles:

Q. 20 years with certain qualifications.—A. We have not discussed it in the association and I would not really care to give an opinion on it.

Mr. FLEMING: That has something to do with social philosophy again.

By Mr. Richard:

Q. Do you believe that we should recognize different classifications of residence? I have come across cases where a Canadian-born person lives a great

part of his life here and then moves over to the United States for a few years. When he returns he finds he has lost his residence qualifications. I think there should be some line drawn between an applicant in such a case as that and an applicant who is a stranger and comes here to establish residence. —A. I have nothing to help you on that. You would have to keep in mind, as I understand it, under the program in the United States, that a man who had lived there for 20 or 30 years might have established his benefit rights in the United States although he might be a Canadian-born person and might have returned to Canada. You would have to watch things of that character, I should think.

The CHAIRMAN: There are some provisions in our present old age pensions law to cover those cases.

Mr. RICHARD: But at first those provisions were not included?

The CHAIRMAN: But there are some now, Mr. Richard.

By Mr. Brown:

Q. Speaking as a Canadian citizen, Mr. Holmes, what do you think should be done with respect to displaced persons from Europe who are here for less than the 20 year period?—A. Are you asking me that personally?

Q. I am asking you as a representative Canadian citizen?—A. I am inclined to think that 20 years is too long.

Q. You mean too long with respect to displaced persons or with respect to general application?—A. Too long with respect to application to anybody who comes here under normal circumstances and for normal reasons. I do not know what you are going to do with these people if you keep it at 20 years. But I have no answer to give you. You might just as well ask your stenographer.

Q. I consider you as a representative Canadian citizen, and we would like to get the opinions of all Canadians.

By Mr. MacInnis:

Q. I would like to ask Mr. Holmes if, in preparing this submission on this particular point, his organization took into consideration the fact that indigent persons in Canada, no matter how long they have been here, if in need of relief, or whatever we may call it, receive relief of some kind from some government authority? Does he not think it would be better to have a fairly low qualification, and to integrate that assistance under one head? I appreciate the fact that you are advocating a no means test, but the fact remains that people who are without other means of support are supported by some governmental authority, whether it be federal, provincial, or municipal.—A. I think, Mr. MacInnis, that our submission deals with it in this way: we have the feeling that the federal old age pension plan should be as general as possible, and that you are not going to cover all the people who need assistance under such a plan. We think it would be foolish to try. If you take a good solid bite of such people out of, you might say, the means test category, or local categories, you do not contemplate that there will not be local governmental and charitable organizations dealing with people who do not come under your federal law. So we think that the right way to handle it is to have it paid for and handled locally. I do feel that you cannot get a satisfactory federal plan which covers all the exigencies that may occur to people.

Q. But if you do not have such a plan you are not necessarily saving in the amount that is paid for pensions or whatever term we use; and you are increasing to a very great degree the cost of administration, and that cost falls on the community which embraces the same people who pay for the government plan, for the municipal plan, and for the provincial plan?—A. We feel that when you put in a comprehensive plan the people have a right to these benefits. They feel pretty much that way, and they are correct in that feeling.

But we do not feel that the federal plan should attempt to be that comprehensive. As we have covered it in this brief, one of the reasons why we believe that the means test should be abolished for old age benefits is that there is a large body of these old age people who are in need, and they are a body which it is easy to isolate. There is no argument over that at all. But when you come to some of the other benefits where somebody is going to help people, that is not the case.

Q. I was thinking in terms of saving the cost of administration and keeping as many people in production as is necessary, as you point out; and I agree with you fully that the cost of any pension which may be paid will be borne by the people working and producing wealth at the time the pension is paid. I have been trying to put that over that idea for a long time. I think the cost can be reduced by eliminating the number of people engaged in administration and in keeping more people producing wealth.

By Mr. Laing:

Q. On the matter of residence qualification, surely Mr. Holmes has in mind some stricture which would prevent any pension scheme in Canada becoming attractive to people to come to this country who might very well benefit in an extreme case. Take for example, people who have been receiving benefits in the United States under their O.A.S.I., who would come across to Canada. Certainly some figure should be set as a minimum, otherwise it would act as a primary attraction for people to come to this country, and we do not want that, surely.—A. We quite agree with you. We think there should be some residential qualification; but what it should be, we do not feel that we are especially educated to say. You would suggest that it probably should not be much lower than it is at the present time?

Mr. Croll: He did not say that.

By Mr. Laing:

Q. A suggestion was made yesterday as to five years. I think that would encourage people to come here for the primary benefits?—A. I think there are other people who would know a great deal more about the possibilities of this than we would.

Mr. Knowles: Is it not true that there are other factors than prospective old age pensions which determine whether people can move about?

The Chairman: I believe that under the circumstances, and in view of the answers we have received from Mr. Holmes we should not press him on the point; and I believe the point is one which might better be considered by the members of the committee themselves who are in close contact with the people of Canada, when they come to write their recommendations.

By Mr. Fleming:

Q. On the subject of universality of pension, at the moment our thinking has been pretty much towards those people who have been eliminated by the means test, who are just outside the present qualifications. On the other hand we have had questions raised about the people at the other end of the bracket, the people with substantial incomes; and the suggestion has been made at different times, both in this committee and elsewhere, that there would be no sense in including everybody in a flat universal pension. Would you include the very wealthy? You indicate here that you think they ought to be included and that it would be recuperated from the income tax. Have you made any calculation on it?

The Chairman: May I suggest that if we are going to keep to a certain order your question should come under 5?

By Mr. Fleming:

Q. If you will just let me finish, Mr. Chairman, I think you will see that what I am getting at is the question of universality. If the witness prefers to leave the answer until 5, very well. But I wonder what you have to say about the feature of universality as related to ease of administration and the other factors you mentioned under your No. 1 heading?—A. We have not been able to make any calculation which would give us any close idea at all of the amount that might be recovered in relation to these particular people. Our feeling though is that we think it should be universal for the reasons which we have mentioned; that is, ease of handling, that is, you would save a great deal of cost in handling. If you pay it to people who do not need it, you get at least quite a bit back; and once you get your universality you always have border-line cases.

By Mr. Knowles:

Q. It is better to give it to one who does not need it than not to give it to ten who really do?—A. That is right.

By Mr. Shaw:

Q. Mr. Holmes and his associates may have been influenced by the fact that a man, although he may have been relatively wealthy at the age of 70, nevertheless has paid for this pension through special taxes which were imposed for that purpose. Would that influence your thinking in saying that he has a right to it?—A. No, that is not the basis of our thinking.

Q. But would it enter into your thinking as a matter of principle?—A. No, I do not think it would.

Mr. Croll: Would that be true of the man who started to draw a pension on the 1st of September next, let us say? That would not be true, would it?

By Mr. Shaw:

Q. Only in the sense that he would make one small payment, but the principle is still there. However, that would not apply to the great majority of Canadians in the years to come?—A. In all our committee meetings I have never heard that point discussed.

Q. Thank you.

Mr. Ferrie: Has the witness made any calculation, supposing the means test were taken off, of how many people in Canada would be paid back for the amount that they received?

The Chairman: I think the witness has just said that he had made no calculation.

Mr. Ferrie: Well, we did not hear it down here.

The Chairman: I am sorry. He said it. Now, for the information of the committee, let me say that our witness next Wednesday will be Mr. Mitchell Sharp of the Department of Finance. Do you wish that I ask him to make a calculation on this point?

Mr. Shaw: I think you should.

The Chairman: Very well, I shall.

By Mr. Knowles:

Q. May I ask Mr. Holmes if he thinks a universal plan such as is proposed in point 1 would deter or encourage people to provide additional savings and additional old age retirement benefits for themselves?—A. We do not feel it would deter people.

Q. In other words, it will not hurt your business?—A. We hope not.

Mr. CROLL: As a matter of fact, is it not true that after the United States brought in their Social Security Act in 1935 that your business there improved considerably?

The WITNESS: There have been discussions in the United States which suggested that was the view of a lot of people.

Mr. BROWN: Was that the reason or was it because of economic conditions?

Mr. CROLL: It made them conscious of the matter.

The CHAIRMAN: There were a lot of factors.

Mr. SHAW: It might depend upon how broad or all inclusive the social security scheme in Canada might be, and also it will be governed by what people will have to pay for other things—state sponsored schemes.

Mr. KNOWLES: If you know that you are not going to be penalized, as far as an old age pension is concerned, by providing yourself with some other old age benefit, then you will not be deterred from so doing.

Mr. SHAW: I am only deterred by what I can physically pay. I know that I am paying Mr. Holmes' company plenty today, but whether I am able to keep it up is another question.

The CHAIRMAN: Shall we proceed with 2 and 3?

By Mr. Knowles:

Q. May I ask whether the association has given any thought to the people between the ages of 65 and 69?—A. I think we have sugested that probably 70 is the right age and we have given our reasons, although there is a long way between 65 and 70. We know that there are a lot of people doing useful work beyond 70. We have them in our own organization. We have said the age should probably be 70. We have envisaged a plan here which covers, as I say, the bulk of people who are going to need old age assistance. We have not suggested that the local authority should not pay for and put into effect plans for people whom you may call prematurely aged; but, whatever the federal plan is, it should be universal at a certain point.

Q. In terms of priority, would you say that making the pension universal at age 70 should receive attention before an attempt was made to bring the age down?—A. Well in our submission we have not envisaged federal authorities going into the other groups—that is definitely part of our submission. We believe that number should be left to the local authority—both in connection with cost and administration.

The CHAIRMAN: Yes, but would you strongly oppose any federal participation in local or provincial plan?

The WITNESS: In so far as our committee was concerned they are not recommending that.

By Mr. Fleming:

Q. Your thought is that people in the group 65 to 69 years of age would be dealt with under the plan proposed in the second paragraph of page 5 where you say: "Of course it is appreciated that some form of means test will continue to be used by local authorities in providing supplementary old age assistance to those relatively few needy individuals for whom it is necessary." Are you including the group from 65 to 69 there, or are you speaking only of the group over 70 who require something additional?—A. We do know that there are people aged 66 who are aged through disease or nature, and there are also people of 55 in that position. We think that we are always going to have a local problem and our view is that it should be left to the local authorities in regard to both paying for it and administering it.

Q. That means the federal government confines itself exclusively to this universal pension for those 70 and over?—A. That is the view of our committee.

Q. And that scheme should be completely federal in administration and every other aspect?—A. Yes.

Q. Would you care to be more specific as to the benefits proposed? You have defined some principles that influenced your view in number 3 as to benefits but, are you in a position to be more specific in your statement here this morning?—A. Well, our statement is pretty indicative. We have not recommended a definite amount but we have given certain things to indicate what that amount might be. As we look at it, it is this: this is going to be paid by people who are working, to people who are no longer able to earn income through their work. How much are the working people prepared to pay—how much individually are they prepared to pay? You might be prepared to give $100 to charity but you would not like to see it go to a man who was making as much as you were.

Now we have some figures on page 6 which are quite accurate. They give the average spending of Canadians in 1949 and the total spending. The figure just leaves out, as I understand it, taxes and savings. It is $68 a month. Now that means that the pension that is common in most provinces—$40 a month—seems to be getting up towards what average pepole have to spend; but how much are people who are earning money willing to pay to people who are not?

Q. That figure on page 6 is not confined to adults?—A. No.

Q. It is spread over the whole population?—A. Yes, children, and aged people and so on.

Q. It may not altogether be a fair basis for comparison?—A. Well, we do not think it is too unfair.

Q. In the final sentence of your introductory statement this morning, you said something that may have a very direct relationship to the point here. You said that benefits should not be established today at a point at which the dominion might not be able to—

Mr. Knowles: No, no.

The Witness: It was the other way around. I said we were quite opposed to any plan which promised—

Mr. Fleming: Which promised more—

The Witness: More than you are prepared to pay today to the present people.

Mr. Richard: I do not think it is mentioned in the brief but, supposing that we took 65 as the pension age, what do you think of a deferred feature in the pension plan—where persons between 65 and 70 who did not wish to take advantage of the fact they were entitled to pension would become entitled to a certain further benefit by continuing to work?

The Witness: We have not envisaged any work clause in this federal old age pension plan which we recommend. We would hope that people after 70 who could work would continue to do so. They would still draw pension and, if their income was sufficient, they would pay taxes on the total. However, we have not envisaged in the old age plan any work clause. From the discussions of the committee I would say we were opposed to any work clause in the federal pension plan.

Mr. Ferrie: Do you take into consideration cripples or invalids, or, do you suggest that they be left to the local authority?

The Witness: We have not considered them in this federal old age scheme. I cannot speak for the association in that matter because it is a different problem.

The CHAIRMAN: You have envisaged that people from 65 to 70 would be the responsibility of the provincial authorities.

Mr. FERRIE: Do you mean provincial or local?

The CHAIRMAN: It includes both.

The WITNESS: When we suggested an age of 70 we gave our reasons, as I say, for suggesting that age. We know that most of the people of 65 and 66 today are actually working. We would think that probably half, or more than half the people of age 70 are working remuneratively. We do not think they continue to work very long after 70, as a rule, and that is why in a way we said 70 for the universal old age pension benefit. If you adopt an age at which most people are working then you are being overly generous in taking from people who are working money to pay for these older people who are also working.

Mr. MACINNIS: Mr. Chairman, may I ask one question here?

Mr. FERRIE: Just a moment, I had not finished with my questions.

By Mr. Ferrie:

Q. Who do you think should take the responsibility for those who cannot work from 60 to 70?—A. We have envisaged that the local authority would take that responsibility. The federal government or federal authority should take only a definite group. If you feel the local authorities need relief financially, you might say, then you can envisage taking the full load on the definite group—whichever age you select—say 70. That would relieve the local authorities to the point where they have more funds available for people who are in the category really of needy cases.

Q. You think that if a municipality was overloaded with that class of people, the federal government should come to their aid?—A. Well I do not think we discussed the question of a municipality being overloaded and I do not think such a proposition could be suitably handled by the federal old age pension plan.

Q. You do not think that cripples and invalids should be taken in under this?—A. We do not think they should be taken into an old age pension plan.

Mr. KNOWLES: You just have not submitted anything with respect to an over-all social security plan?

The CHAIRMAN: Well, our terms of reference only cover old age security.

By Mr. MacInnis:

Q. I would like to go back to page 6, following a question which was asked by Mr. Fleming. Before I do that, however, in the second paragraph of page 6 there is set out the precise proposal of the delegation, whether you agree with it or not, and I think it is very clear and that there is no possibility of it being mistaken. In the last five lines of the first paragraph you say: "It is obvious that, quite apart from the cost factor, the benefits paid to the aged under a federal plan should not in any event even approach such a level, since most people who have reached benefit age have personal savings, private pension, or access to family or other resources."

Have you any statistics to indicate the correctness of the figures—you mention \$65 a month in 1948, and \$68 a month in 1949?—A. We have the present old age benefit statistics, Mr. MacInnis, which show that something like 42 per cent or 43 per cent of the people aged 70 or over are receiving old age benefits. Now even some of those have access to savings and these various incomes.

Q. Is not the number having real or personal property very small indeed—that is of those who qualify for old age pensions?

The CHAIRMAN: Under the present means test?

By Mr. MacInnis:

Q. Yes, under the present means test. I have the annual report of the administration of the Old Age Pension Act for the province of British Columbia for the fiscal year ending March 31, 1949. In a table on the economic status of new pensioners it shows that there were about 6,000 new pensioners for the year and of those, over 60 per cent had no real property at all. Those who had no personal property amounted to 42 per cent. In both cases—real and personal property, for those who had less than $250, the figure was 62 per cent and 70 per cent respectively. There is another point. The Minister of National Health and Welfare, in the proposals made by the federal government to the provincial government in 1945, made the statement—I think it is in the Green Book proposals—that many people who would qualify were deterred from making application because of the means test and so on. I think, therefore, that this statement, taken with the one on page 5—that there are relatively few needy individuals for whom it would be necessary for local authorities to make provision—is not borne out by the facts.—A. Well, Mr. MacInnis, are we talking of people over the age of 70? This refers entirely to people 70 and over and I think the very fact that less than one-half of your people at present draw any old age pensions suggests that more than half have property. We know that a fair number of them do. The figures you mention—40 per cent and 60 per cent—apply to those who do draw pension but have some property.

By Mr. Knowles:

Q. May I make this comment or ask this question? Is it not the case that those who have any personal savings or property must have been making a little more than average? They must have been people who had more than $68 a month of disposable income or they would not have been able to amass very much. I realize that the $68 does not include taxes and savings but is it not also true that those who had only that much disposable income could not put very much away in savings? If that were not so they would have been spending more on food and clothing. Therefore, are you really not a little unreal about the $40 a month pension level pushing too hard against that average? On the one hand I say that those who have any retirement payment were not at that level—they were above it—and on the other hand those now working whose disposable income is only $68 a month would not be called upon under any plan to contribute very much towards the old age pensions?—A. The $68 is not a low figure; it is an average figure.

Q. But it is an average per person figure. If you think of it in terms of family units of three or four—say an average family of four—it gives you another unreal average of $250 odd a month, which is probably not the case at all. If you compare that with a pension to a man and wife of $80 a month it does not seem to me that latter figure is pushing against the average in any way that should give us concern?—A. Our view is that, if anything, it is on the high side—considering the average figure.

Q. Which is on the high side?—A. The $40 a month. Remember, we are not opposing $40.

Q. That is good.—A. But we think it is high, rather than low.

Q. You are not advocating $50, in other words?—A. Certainly not—in the light of those facts. I have never had experience in keeping old people but I have had some in bringing up children, and I feel that I have spent quite a bit to bring up my children. I would have had a lot more money if I had not had children.

Mr. MacInnis: Yes, providing that you had not spent it on something else?

Mr. Croll: Are we on number 3 yet?

The Chairman: We are on 2 and 3.

By Mr. Cote:

Q. I would like to have a few comments from Mr. Holmes on the matter of coverage of the needy between 65 and 69. The witness does not favour any direct participation of the federal government in a coverage scheme for those between 65 and 69—am I right?—A. As I say, we are not sure that 70 is the exact age. There is no reason why 71 or 69 should not be more reasonable. We do not know, but we think that probably 70 is about right.

Now, you are quite right—we do not favour the federal government trying to cover people below the age at which they are prepared to pay everybody. We think that should be left to the local authorities.

Q. If you leave it to the local authorities, Mr. Holmes, would you not think it would be quite a long time before there is reasonable coverage all across the country for that category of people?—A. As I say, you know what our views are—and I am representing the association—once you get below your set age—it is not always a question of years, because we know some people who are old at 55. Those people are old physically and are unable to do good work. There is that residual problem of looking after people who cannot look after themselves. We think whatever age you select for your federal plan, that others should not be thrown into that category and we think they should be looked after and paid for locally. We think you should take that feature into account in setting what you are going to pay to the group which you are going to pay. At present you are paying $\frac{3}{4}$ of $40. If you took the responsibility for paying the other $\frac{1}{4}$ away from the local authority, surely then they could look after the people who have to be dealt with on a means test basis? We say "comparatively few" but in total a large number of people, for all sorts of causes, are not able to work.

Q. I cannot visualize any one province setting up a scheme of their own for protection of that category unless they were assured that other provinces would follow suit. That is exactly what happened in the field of health insurance in the past. British Columbia had an experience and the statute is still inoperative. As you will recall the dominion proposals to the provinces five or six years ago, there was to be participation of the federal authorities with the provinces on the basis of a fifty-fifty contribution with a means test. What do you think of that? I am speaking, of course, of the same category of people, those between 65 and 69?—A. I can only repeat, sir, that our view is that in so far as possible the federal government should limit itself to a set, fixed group, and that they should leave to the local authorities the places where you cannot fix such a scheme.

Mr. CORRY: To make it clear, does the witness mean by "local authority" that the provincial and the municipal governments should work together?

The WITNESS: Well I would say that is what we mean. We referred to someone closer to the individual than the federal government; close to his needs in that particular area?

By Mr. Ferrie:

Q. Well, Mr. Holmes would you recommend then that a tax be put on real property to take care of those between 65 and 69?—A. No, I am not making any such recommendation.

Q. Well you make a recommendation that the local authorities should take care of those people. Where are the local authorities going to get the money to take care of them if they do not tax real property?—A. They get money now for one-quarter of the old age means test pension for those over 70.

Q. The provincial government does not have anything to do with those cases at all nine times out of ten.

Mr. LAING: That is not so in British Columbia—it is an 80-20 proposition between the province and the local government.

Mr. FERRIE: In the province of Saskatchewan it is fifty-fifty, but in some of the provinces they do not touch it at all and the local authorities—the actual municipality—has to pay the full cost of the invalid and of those who cannot support themselves.

Mr. LAING: What province are you speaking of?

Mr. FERRIE: Quebec.

The CHAIRMAN: Well there are a lot of systems, but, under the Public Assistance Act, in Quebec, the municipality contributes one-third.

By Mr. Shaw:

Q. Sir, I desire to refer specifically to number 3. It is my understanding, of course, that the insurance people are constantly endeavouring to probe into the future. Their own business demands that. Can you tell me, Mr. Holmes, what type of formula you would use in order to deal with the idea set forth in paragraph number 3. You say "The benefit should be fixed at a level which can be financed without placing an undue burden on Canada's present and future productive capacity?

What formula would you use in ensuring that the level of pension will not bear unduly?—A. I do not think there is a formula. I think there is the question of willingness to pay. What you are doing is taking from people who are working and paying to people who are no longer working—or to the great bulk of them who are no longer working. How willing to pay are the working people, and how much will they pay?

Q. Would you go a step further, Mr. Holmes, and say that there are two factors: willingness to pay, and ability to pay? Would you agree those two factors are almost of equal importance?—A. I would go so far as to say that I think some people are unable to pay, but I think that is dealt with in another section.

The CHAIRMAN: That comes under: "financing."

Mr. SHAW: It is tied very closely to paragraph 3. All I have in mind is that it can be said that if a man's income is $25 a month and if you have a 4 per cent levy—

The CHAIRMAN: That is in sections 5 and 6.

Mr. SHAW: All right.

Mr. KNOWLES: Do I understand that the distinction you seek to make between federal responsibility and local responsibility is not necessarily a particular age? You suggest 70, but you might have chosen 69, 71 or 65?

The CHAIRMAN: Pardon me. He said he definitely had not chosen 65.

Mr. KNOWLES: I only said he might have.

The CHAIRMAN: In theory...

By Mr. Knowles:

Q. The distinction you make is that the federal plan should be a universal one which pays a flat rate; but where there is to be flexibility or variation in assistance, it should be on a provincial basis?—A. That is right.

Q. In other words, we would be in keeping with the principle you suggest, if we chose 65 and made it a flat rate across the board. You are not advocating that, of course, but the principle would be the same?—A. Yes, the principle would be the same.

Q. My other question is: what is your experience in your own business with respect to this age question? What is the tendency on the part of purchasers

of life insurance, namely, the kind that provides some retirement benefit? Are people buying it with a view to retiring at 65, 70 or 75? What is the trend?—A. Remember again, I am not representing the life officers when I answer that question. I represent my own experience in my own company, and I would say this: that the young people think of retiring early, and that the old people think of retiring late.

The CHAIRMAN: You asked for it, Mr. Knowles.

By Mr. Robertson:

Q. Do you not think it would be necessary to have provincial agreement on your plan? You suggest: let the Dominion Government look after everybody over 70, and let the Provincial governments look after people under 70. I think it should be made certain that the provinces are going to do their job before the dominion embarks upon it.—A. We would envisage any necessary arrangements.

Mr. KNOWLES: The Dominion is not doing anything now for those under 70.

Mr. ROBERTSON: I know; but before we decide on a course we should know what the provincial governments are going to do. If we follow your course of including people under 70 who really require pension, your plan is fine if the provinces do their job; but we do not know that they are going to take on that responsibility.

The CHAIRMAN: We are going to have a federal-provincial conference in the fall, and I believe that any recommendations we make could not be implemented before that conference in the fall.

Mr. KNOWLES: Mr. Croll already has fixed on the date of September the 1st of this year.

By Mr. Fleming:

Q. I wonder if Mr. Holmes would enlarge on the final statement he made on the maintenance of the benefit age, I mean the rate at which it should start? Could he expand on that, if he is in a position to do so?—A. Well, gentlemen, there are a number of old age benefits as you know—you know more about a lot of these old age benefits than I do—where they are promising to people in the future more than they are paying present old age pensioners. We do not think such a plan is suitable for Canada.

By Mr. Croll:

Q. It should not turn into an auction market. Is that your view?—A. We feel it should not be higher than you are willing to pay for; and if you promise people something in the future which you are not prepared to pay for today, we feel that this country is going to run into trouble.

By the Chairman:

Q. We had better have parliament revise the rates if necessary?—A. Yes. If we envisage ten years from now that $40 or $30 is not the right figure, and that it should be $45 or $50, let us say, then, that is the time to do it and to pay for the thing.

By Mr. Fleming:

Q. Not to start out with $30 and then ten years from now make it $40. You will look back upon it in the light of a revision by the people, and the people are willing to pay?—A. Yes.

By Mr. Croll:

Q. There is one question I have asked of everyone else, so I must ask it of you. Assuming for the moment we fix upon $X as a pension, whatever it is, what would be your comment upon $X as being a fair amount let us say in Toronto as compared with a small town in Newfoundland, or as compared with a small semi-urban area? Consider three areas, rural, semi-urban and urban?—A. Again we feel that a federal plan should pay the same amount whether in a back area of Newfoundland or in Toronto. If people were going to stay in Toronto—I mean that old people do not move around in this country the same as young people—but if they are in a place which requires a higher cost of living, and they are properly there, we would say that any shortage which was created by too high a cost in a certain place should be borne not by the federal authority but by the local authorities.

Q. Let us get back to page 11.

The CHAIRMAN: 5 and 6?

Mr. KNOWLES: Let us take 5.

The CHAIRMAN: Is it the wish of the committee that we take 5 alone, and then 6? Very well. 5 it is.

Mr. CROLL: At the end of page 11, will you elaborate on that?

The CHAIRMAN: That is on 6.

Mr. SHAW: I have a question in connection with 5. You anticipate that whatever levy is made on income shall be made upon all incomes without exemption?

The CHAIRMAN: That is in 6.

Mr. SHAW: All right. You told me 5 before, and I just took you at your word.

The CHAIRMAN: I am sorry. I called 5 and 6 together at first because I thought it would be easier.

Mr. SHAW: Well, are you calling 5 and 6 now?

The CHAIRMAN: I am calling 5 alone.

By Mr. Cannon:

Q. On No. 5 may I ask the witness this question: he says that any benefits should be subject to partial recovery through income tax in the case of recipients having significant income from other sources. Let us suppose that the amount is $500 of taxable income, or $1,000 of taxable income, after which any recipient of old age pension would have to reimburse 100 per cent of it to the government. Have you considered the question?—A. We have not considered that particular point.

Q. I have asked the chairman to request representatives of the Department of Finance who will be here next week to bring, if possible, figures which would show how many people over 65 and how many people over 70 are in receipt of income $500 of which is in a taxable bracket, and how many are in receipt of income $1,000 of which is in a taxable bracket, so that we would have an idea of how many old age benefits would be 100 per cent under a scheme like that?

The CHAIRMAN: Would you mind writing out your questions?

Mr. CANNON: What about people receiving old age pensions who do not need them?

The CHAIRMAN: Would you please write out your questions and give them to me at any time. Your office is next to mine.

Mr. CANNON: Very well, I shall write them down and pass them on to Mr. Sharp who will be here next week.

Mr. BROWN: Make them for $500 and $1,000 and all over.

The CHAIRMAN: You could write the questions together.

Mr. BROWN: Oh, I do not write very well. Nobody could read my writing.

The CHAIRMAN: If you have any alternative questions, please write them out and I will see to it.

By Mr. Knowles:

Q. With respect to No. 5, I take it from the wording—but correct me if I am wrong—that you are not proposing any changes in increase in the income tax rates so far as old age pensions are concerned. You are merely stating the fact that as the law now stands, additional income, if it is to be in the taxable bracket, would be taxed and thereby there would be partial recovery. For old people of course that figure is a little higher than it is for you and for me?—A. I understand. But we will get there some day.

Q. Yes, we will get there or somewhere else.

The CHAIRMAN: Are there any questions on No. 6?

By Mr. Shaw:

Q. May I ask Mr. Holmes if they propose that whatever percentage of levy is made on incomes it should apply to all incomes without exemption, such as we have under the Income Tax Act today?—A. We have not proposed any definite way of financing this scheme. We have an illustration of various ways it might be financed. But again I want to say that we have not expert practical tax men in our association. We would envisage though, as broad a payment as is practical on whatever basis that contribution is levied.

Q. Your figures on page 11 cover the entire income of an individual, do they not—your suggested figures?—A. Yes.

By the Chairman:

Q. What was the total income on which you made your calculation, and for what year?—A. I believe these calculations were based on 1947 income.

Q. Total personal income for 1947 in Canada, or did you deduct something? —A. I believe it was the total.

Mr. POWER: What we did was this: we had the 1949 personal income figure and we kept it in mind carrying our figures forward to 1951, 1961, and 1971 in proportion to the increase in population which had been projected for those periods.

The CHAIRMAN: What was your basis?

Mr. POWER: Our figure for 1949 was $11 billion $800 million.

The CHAIRMAN: Did you deduct anything? Because you had to take into account pensions already paid, and so on?

Mr. POWER: I can read you the note of a member of our committee who calculated the figures. The basis for that is taken from the budget papers tabled by the Minister of Finance; and he remarks here that contributions to social insurance and government pension funds have been added back, and transfer payments from governments, excluding interest, and chargeable donations from corporations have been deducted. So the figures have been adjusted.

The CHAIRMAN: That is what I wanted to know.

By Mr. Knowles:

Q. Is it not the case that you—contrary to the way some think—place a maximum on income at which the tax is obtained? You tax the first dollar, but you do not tax anything over a certain figure?—A. In this example here that is true.

Q. Some of us think in terms of exemption and graduate the rates up. But you start with the first dollar and graduate the rates down and reach a certain point at which you make no further tax?—A. That is the way this example has been worked. I want to say that our attitude is covered right under 6.

Q. Do you not believe, taking into account the fact that many people won't pay any contribution, as you mentioned, that there should be a certain contribution to the general fund or cost of the plan from the general revenues, and that the contributions should pay only for part of the cost of the pensions?—A. What we have envisaged is: we think it would be better if the whole is levied in whatever way it is levied as a special contribution.

Q. It already has cost us $100 million this year for old age pensions which expenditure we would not have. It would be part of the total disbursement. Do you not believe that we should at least keep taking out of general revenue that sum of $100 million?—A. The association's view would be to have special contributions to cover it. You might reduce the income tax to get rid of your $100 million, but we think that the more nearly everybody—the clear view the voters are going to get of this thing will be that of a redistribution of income from the worker to the non-worker; and any hiding of the cost of this plant tends to make certain people think they are getting benefits for nothing. We think that should be absolutely avoided in a redistribution of this kind.

By Mr. Shaw:

Q. That is why I was particularly concerned about your view with respect to the taxing of all incomes for this purpose regardless of the amount, whether you are going to allow exemptions because, as the chairman said, if you allow exemptions, you cannot have as satisfactory a situation as you envisioned. The only way you could make it all embracing in its contributory aspects would be by a partial contribution out of general revenue. Do you propose taxing all incomes?—A. We are not pre-supposing—

Q. Or suggesting?—A. —any particular basis of getting these contributions.

Q. I realize that.—A. We even mention a sales tax method which in some ways would be the fairest of them all. I want to make it quite clear that that was purely a personal view.

By Mr. Croll:

Q. Do you not agree with me that there is a basic minimum that every family needs? Take the case of a man earning let us say $25 a week. I do not care whether he be single or married; but let us have him married with no children. Do you not think that his unable to contribute anything?—A. I would agree with you in this respect that you probably are not going to collect contributions from everybody. But we think this plan will work best if you collect as nearly from everybody as they are going to get.

Q. You said a moment ago that what you had in mind was the redistribution of wealth between two classes.

Mr. Knowles: No. He clearly denied that.

By Mr. Croll:

Q. Did he?—A. Between workers and people who are too old to work.

Q. That is right.

By Mr. Croll:

Q. Aren't you limiting the redistribution between two people who have not got wealth? What you are having is two people who have not much to contribute? You are distributing; yet under your suggestion you are letting out

the man who has much to contribute. Does that not follow?—A. You are talking of this particular example of income we have here?

Q. Yes.—A. I think people who get, let us say, $3,000, or somewhere close to $3,000, certainly are paying in a lot more than they are going to get out.

Q. $3,000?—A. Yes. If you limit it to $3,000, they are certainly going to be paying in a lot more than they get out of it.

The CHAIRMAN: That is where it would be interesting to have annuity tables.

By Mr. Knowles:

Q. You mean $60 a year would pay for a pension of that amount? Not from your company?

By Mr. Croll:

Q. And not from the Dominion government either?—A. What I am saying is that if you adopt a tax along this line, as I say, but we have not suggested it. This is more an illustrative than a considered suggestion. Our only suggestion is that as many persons as possible be taxed under whatever scheme is adopted, and that they be taxed as nearly as possible to the amount of the value of what they are going to get.

By Mr. Laing:

Q. As against the ability to pay?—A. As against the ability to pay. We think this plan would work much better if the workers are paying as close as it is possible to make it the value that they expect to get in old age pension. We admit that it is not possible under this plan to bring that about, but as nearly as is possible it should be brought about. That is what we are saying here. These suggestions here are illustrative of costs.

By Mr. Croll:

Q. You do lay down the principles you work on. They illustrate your thinking. That is what I am concerned with, namely, that you had a limit in mind. What is the argument which you can make in favour of a man who earns, let us say, much more than $5,000 a year?

The CHAIRMAN: Let us say $10,000 a year.

By Mr. Croll:

Q. Yes, $10,000 and who would earn more than that; what is the argument in favour of his not contributing? Does he not benefit over all?—A. We do not envisage his not contributing. We envisaged putting a top limit on his contribution.

By Mr. Knowles:

Q. Your example suggested $5,000 as a figure that you were thinking of?—A. We worked with two, three, four and five showing the effect of the contribution rate in putting on that top limit.

Mr. KNOWLES: Most of us are talking about a man who makes $25 a week. But this brief puts an exemption—

Mr. CROLL: No, I do not think he goes that far.

Mr. MACINNIS: He goes that far in the illustration given.

By Mr. Croll:

Q. Do you mean by this illustration that the man in the higher brackets will not contribute in the same way that the worker will conrtibute?—A. We

would suggest that if there was any difference he would be contributing more —but what we say is that it should be as broad and as even as possible.

Q. As even as possible—to the benefits?—A. As even as possible—that is as many people as possible should pay at least as much as the value of the benefits.

Mr. Hunter: May I make a comment here. This tabulation at the bottom of page 11 points out a very important fact. You will notice as the first sum increases, how slowly the required rate of contribution decreases—if it decreases at all. For example, between the first $4,000 and the first $5,000 in 1950, the rate came out to 2·1 per cent—the same in each year.

There is a suggestion there that if you have any limit at all the percentage rate required over-all would not be very different. We had in mind too that the very wealthy—perhaps that is what you have in mind—are going to make contributions throughout their lives on whatever basis is desired, and, through the recoverable feature of income tax, they will probably not draw a cent of it.

The Chairman: Yes, but if we had exemption levels it is sure that the variations in percentages would be greater than those you mention here?

Mr. Knowles: That is if this was the first $2,000 above the exemption level.

The Chairman: No, these figures have been calculated, if I understand correctly, by taking into account the figure of $11,800 million as personal income of Canadians in 1949. That is correct is it not?

Mr. Hunter: For these percentages it is my understanding that the estimate was made by deducting that other $4,000 or $5,000.

The Chairman: Yes, but what if you deduct from that basic figure because all people will not have to contribute? We will say the exemption level is $1,200 for a married man. If he earns over that he pays on it all, but if he earns less than that he does not pay at all. You must leave out of your total income figure all those incomes below the exemption level. Would it not then be true, that the variation in the percentages would be greater than you have shown here?

Mr. Hunter: That is probably true; the percentages themselves would be very much higher.

Mr. Laing: I think the point Mr. Holmes tried to make was universality of benefit should be matched, as far as possible, by universality of contribution. I think the suggestion has a great deal of merit to it. I think the success of the scheme is going to depend on a greater measure of progressive taxation than the people here envisage, and I am delighted that the chairman made mention of the necessity of participation by the government. I think the simplest method by which we can get a progressive contribution is through participation by the federal government out of general revenue.

Mr. MacInnis: May I make a point here.

The Chairman: Yes.

Mr. MacInnis: If you are going to have the two universalities you mention —contribution and benefits— then I think logically you should have another universality, on the basis of the total wealth produced. People are poor because they do not, possibly, get a fair share of the wealth they produce.

The Chairman: May I ask you, sir, what would be the cost of an annuity of $480 at age 70 for a man of thirty years with any of your companies?

Mr. Knowles: They will not all give the same figure.

The Chairman: No, but just give me an approximate figure.

Mr. Cummings: I cannot tell you now but we can easily get the figures from a number of different companies if you would like that?

The Chairman: Would you ask Mr. Anderson, who will be our witness tomorrow, to bring the figures with him?

Mr. CUMMINGS: I will arrange that.

The CHAIRMAN: You understand why I ask that? It has to do with the possible income ceiling, and I want to know the cost to a man thirty years of age for an annuity of $480.00.

Mr. KNOWLES: It runs in my mind that it takes about $16 a month for a person aged 35 to buy an annuity of $50 a month at age 65. I may be out a few dollars there.

Mr. CROLL: I think it was $3 a week that was given to us yesterday by Miss Govan.

Mr. KNOWLES: It is in that general area—and I am quoting government annuity rates.

The WITNESS: We will get those actual figures from some representative company.

Mr. KNOWLES: It was on this matter that I was wondering why you talked of 2 per cent on $3,000 as representing the case where a man would in fact buy his own pension. $60 a year does not seem to be sufficient.

The WITNESS: There is some considerable difference between a company pension plan where a man gets his premiums back with interest and the situation under a state old age pension plan where the contributions he makes to that plan are gone.

The CHAIRMAN: That is the kind of rate I want. I do not want the premiums one would pay under a system where the money is returned when the man dies?

Mr. FLEMING: I do not think you will get a comparable basis at all for the simple state scheme you are proposing here.

By Mr. Knowles:

Q. The only thing to do is to stick to the pay-as-you-go plan you have here and compute what it will cost in 1951 to pay a certain pension of X dollars?—A. That is what we recommend. If you are going to pay larger benefits, no matter what the plan is, you are going to pay larger contributions.

Q. The pension benefits of any year come out of the contributions made that year.

By the Chairman:

Q. On the question of exemption levels, do you not think that one factor that should be taken into account in considering those levels would be the practical impossibility or very great difficulty of collecting contributions under a certain level of income from the self-employed?—A. Well, as I say, you have got people who know a lot more about it than we do.

Q. Well, do you not agree that it would be a factor that we would have to take into account?—A. I think you have got to take into account under any contribution basis, more people escape taxes for one reason or another than escape under another scheme. All we are saying is that you can control old age pension benefits best if you as nearly as possible have full understanding on the part of the public of what you are doing—that is you are taking money from people now working and paying to people who are no longer working on account of age. The more you get away from that principle the more you are going to have demands—because they are getting something for nothing. That is my view, and the view of the association.

By Mr. Fleming:

Q. Having regard to the view which you have expressed several times, and which is also stated at the bottom of page 13, that the contribution should

be collected in such a way that people will realize they are contributing to the support of the current needy, I am surprised to find a sales tax as one of the illustrations given. That is an indirect tax, a hidden tax, which half the time people do not know they are paying and nobody realizes its destination. I suggest, for your comment, that it is the sort of thing which defeats the purpose you have in mind.—A. Yes, it defeats it to that extent, but there is no contribution method that is going to be perfect or that is going to meet all of the requirements. That is why we used ones which are quite different. Now the other point you notice in the brief is that contributions should equal the required payment. That is another way of doing the same thing. We do not envisage contributions as being buried in the general government budget. We think it should be a separate item and the payments should be a separate item.

Q. But a pay-as-you-go basis does involve a certain amount of estimating?—A. Yes.

Q. And you might finish up a particular year with a surplus or a deficit, depending upon how accurate your estimate had been in regard to conditions in that particular year?—A. Yes.

By Hon. Mrs. Fallis:

Q. In connection with sales tax, when I read that recommendation I thought possibly you had in mind not a sales tax as we know it in Canada, but a direct sales tax as they have in so many states across the line. There, when you buy an article in the stores, they say the price of it is $2 and the tax is 10 cents. I thought you might mean something of that sort which would be a direct tax for this purpose and which would not be confused with the present sales tax which is hidden?—A. We did not have that definitely in mind. And we do not know how practical that is. I say again that we are not tax experts and we were looking for illustrative points. What we think is most important is that people should come to realize in one way or another that these old age pensions are costing them so much money, and that the area of distribution is between people who are working and people who can no longer work. It seemed to us that was one way that you could get this thing in and keep it on a reasonable basis. It it is redistribution of another kind then you have the question "What is in it for me?" If people are not prepared to pay for the present aged then, what are you going to do about it? That is part of the consideration, it seems to us. We feel that they should pay; that there is a demand for it; but, if people are not willing to pay who is going to look after it? We do not think things should be hidden.

Q. That is what I was thinking about the sales tax. If it were added to what people would buy they would realize they were paying towards social security—if it were described as a tax for social security.

Mr. LAING: It is right out in the open in British Columbia today.

Mr. CROLL: And not very popular.

By Mr. Brown:

Q. In your suggestion of a pay-as-you-go plan, Mr. Holmes, I assume there would have to be a certain amount held back in reserve?—A. We did not particularly envisage that. It is a matter of policy. We do not think it is absolutely necessary.

Q. What would you do in depression years?—A. I do not know; what would you do?

Q. Well, on your plan, would you tax people for that year to pay for the benefits to be paid out? If so, in depression years you would have to increase taxes?—A. If you were to follow that principle absolutely, yes.

The CHAIRMAN: Or decrease the benefits?

The WITNESS: Yes. We do not contemplate an absolute balance. We contemplate this as the general principle of the operation of the plan.

By Mr. Brown:

Q. Would you say that the benefits should be decreased for the aged people in time of depression?—A. Yes, but I think that is a question of policy. I can see where, if living costs went down on account of a depression, that there might be that consideration.

Q. Then you do not approve of a reserve fund at all?—A. When you say I do not approve, I do not object, you might say, to a small reserve.

Q. Well of course your company has a reserve fund?—A. Now, you are getting into something we cover in a different part of the brief—the question of funding. What you are talking about, I take it, is some slight reserve.

Q. I am wondering how slight it should be? And I am wondering whether in periods of depression you should lower taxes? People would not have the ability to pay the present level?—A. Whether you hold that fund in old age pensions or whether you pay off your debt during good times, as far as the government financing is concerned, I do not think makes any difference.

Mr. KNOWLES: Even if you did have a fund and a depression comes, is it not the case that the interest on that fund or the capital of that fund would have to come out of the current revenue—as far as the government is concerned? In that sense the government is in a different position from a private life insurance company. In the long run whether you have a fund or not the benefits for a certain year have to be paid out of the contributions for that year.

The WITNESS: I think we have talked about that in the brief and we have tried to make clear our views.

Mr. LAING: I have one observation to make. I think this discussion is another excellent reason or justification for federal participation out of consolidated revenue. However, I want to ask another question of Mr. Holmes. He is in favour of universality of contribution and I think that is admirable, but should that not be reconciled with steeply graded rates of contribution?

The WITNESS: I do not think our viewpoint can be reconciled with steeply graded rates of contribution. Our viewpoint is that most people should pay for these benefits. For some people a benefit is going to be a gift or a partial gift but the cases of that sort should be as few as possible.

By Mr. Picard:

Q. May I ask the witness if his organization considers that the care of the aged or invalids, taking into consideration a progressive economy, should be a national obligation?—A. I do not think I can answer that. We have viewed this particular question of age—

Q. Well this refers to one of your representatives on page 12. I cannot make out exactly what your views are but, if you do consider this is a national obligation, would you not consider that the cost of it should be met by those who have the ability to pay for that national obligation? I do not mean that we should pamper people, but is it in the interests of the economy of the country that the aged and the invalids should be cared for? Is that not a national obligation?—A. I do not know; I would not care to express myself as to whose obligation it is. I think those people should be cared for if they need care.

Q. And if they should be cared for, should that care not be paid for according to the ability of the country and the residents of the country?—A. It is difficult for me to see a scheme of this kind work successfully—where people are given benefits—unless the people as a whole are in the main paying for their own chances of getting those benefits.

Q. I agree with you that it should have the largest possible coverage for the largest number of people but, at the same time, it should be according to their ability to pay. If that principle was accepted by you or by any economist, would it not rule out the question of sales tax, which is one of the most unjust taxes because the burden is borne by everyone, no matter how small their means. If a man had no income of course it would not hurt him but should not the cost here be graduated according to a person's ability to pay?

By Mr. Cannon:

Q. On the matter of sales tax I would like you to verify the attitude of your association. You said you thought that any contribution made by workers for the benefit of non-workers, as you so aptly expressed it, should be in such a form that the man who makes the contribution should know what he is making it for. It has been suggested that is incompatible with a sales tax, but would it not be fair to say that if the sales tax were imposed at the retail level and labelled as a social security tax, such as for instance the hospital tax in my province, the man who buys things would know what he was paying for.—A. That is quite right, but we do not know—and we do not make a definite recommendation—because we are not aware of the difficulties encountered in retail sales taxes or the resistance to retail sales taxes. We are not tax experts.

Q. My point is that the man who pays would know what he was paying for?—A. As nearly as possible, and that has to be weighed against the difficulties in that kind of direct taxation, the resistance and so on. You have no perfect method for getting these contributions.

Mr. SHAW: Let us not forget that even the man on relief pays sales taxes. Would Mr. Holmes agree that what the association is endeavouring to do is to keep this scheme as closely in line with existing insurance practices as is possible?

Mr. PICARD: No.

Mr. SHAW: Well, regarding contributions, you say that the contributions must bear as close a relationship to payment as possible. In other words a person buys what he gets?

The CHAIRMAN: It is not because of the insurance principle.

Mr. SHAW: I am asking you whether you are trying to keep it as close as possible to the insurance principle?

The WITNESS: No, what we are trying to get is the right amount that people working should pay to aged people. What we are afraid of is that if a great many people are not paying for what they are going to get, then the demand for greater expenditure on old age pensions is going to be very strong.

The CHAIRMAN: One of the witnesses yesterday said many Canadians were what he termed juvenile citizens.

Mr. KNOWLES: The witness yesterday said, and I want to be perfectly fair, that although the amount should be graduated, the amount paid by those in the lower brackets should be enough that it would not just be a mere token.

Mr. FLEMING: I think he was suggesting that the whole thing should come out of consolidated revenue.

Mr. KNOWLES: Yes.

Mr. FLEMING: —when he spoke of his own personal point of view, and that there was not any place for earmarked revenue. We know how easy it is for a lot of people to think that when parliament does something someone else is going to pay for it.

Mr. CORRY: May I ask the witness if the thought which motivated this suggestion was that it is important to inspire and maintain the sense of responsibility in all contributors?

The WITNESS: Yes, sir, partly that, but we had in mind mainly the permanent working of an old age benefit scheme which is reasonable as long as working people are willing to pay a reasonable share of the cost. I mean by working people the people who are working—including you; but if you get it in any form such as where a good proportion of the people are getting money for nothing then it is not going to work well as an old age benefit scheme.

Mr. COTE: In relation to the matter of private pension plans it has been stressed during our deliberations that there are developing in the country a certain number of private pension plans which should be borne in mind while discussing any basic scheme which would be universal. These private pension schemes would be coming in addition to whatever would be yielded by a national scheme. Now we have heard witnesses enlarging on the development of industrial pension plans across the country. The shortcoming there is that they cover only a certain category of our citizens—workers in a particular industry.

I had in mind that there was nothing as yet proposed, as supplementary coverage, for instance for farmers or other categories of self-employed. Looking at your appendix relating to individual annuities and group annuities and so on, I would like to have the views of the witness as to whether the association has ever considered the possibility of a joint scheme of coverage in that way for farmers, for instance—

The CHAIRMAN: You mean group insurance?

By Mr. Cote:

Q. Group insurance, group retirement pension insurance, for farmers, self-employed, and other categories including professional people, office workers, and so on, all across the country in a joint plan sponsored by all Canadian insurance companies?—A. We do our best in the way that we are selling them individually but we have not discovered any other scheme where we can do it as well.

Q. I am speaking of an all-embracing plan because I am interested in bringing down the cost of any such scheme to the individual?—A. We sell on a voluntary basis even to employees under pension schemes but they must be willing to buy or we cannot give the coverage. We are supporting a state scheme because we know there are a certain number of people we cannot do a job for because they will not pay us and we have to be paid. We have men all over, and there are very few people in this country who are not contacted at some time regarding their own old age insurance or annuities.

Q. Would you not think by a joint scheme such as the one suggested, theoretically, it would be possible for farmers in this country to get coverage at a relatively low cost?—A. We have never found a basis on which we can give lower costs. You would have to sell each one and he would have to be willing to come in. You cannot lower the cost when you have to do that. We are doing it as well as we can at as low cost as we can but where you have to sell each individual there is no way of calling it a group and making it cheaper. If a group scheme is any cheaper it is solely because there is less cost of selling and administration. That is you have to get it in a form which is simple.

Q. Suppose you proceed by communities?—A. You would still have to sell the individual. You cannot force him to come into the scheme.

The CHAIRMAN: You know what happens in group insurance like this, it has happened for instance in our Bar Association. You have to rely on the individual all the time. You have to sell the insurance to the individual.

Mr. COTE: There is a life insurance scheme for the Montreal Bar.

The CHAIRMAN: Surely.

By Mr. Cote:

Q. But this becomes operative from the moment they reach a certain number. It is not compulsory for all the members of the Montreal Bar. I could visualize in any community of farmers that from the moment you could be sure of a minimum number of participants you could proceed on a reasonably lower cost than you could with them individually.—A. I have no doubt that if we can work out such a scheme at a lower cost by selling individuals we shall try it.

Mr. FLEMING: Are you going to ask the witnesses to bring forward figures on the cost of their annuities? I do not think it would be of any use unless you had elaborate explanations; otherwise they would be very misleading when you came to compare them with the present scheme?

The CHAIRMAN: I shall have the figures on government annuities.

Mr. FLEMING: Yes, but what about the private companies?

The CHAIRMAN: We shall have them from Mr. Sharp next week.

Mr. FLEMING: You are not asking these witnesses to do that?

The CHAIRMAN: No.

Mr. CUMMING: It may be possible to get reversionary annuity rates based on contributions made by an employer in a group annuity plan. I shall see that Mr. Anderson has them.

The CHAIRMAN: Before thanking you gentlemen, I would like to tell the members of the committee that tomorrow Mr. Anderson will be our witness. There will be no meeting on Monday. But on Tuesday we shall have l'Union Catholique des Cultivateurs. On Wednesday we shall have Mr. Sharp. On Thursday we shall have Mr. Lamontagne, and on Friday we shall have Dr. Cassidy. And I may say that the meeting on Friday, May 26, will conclude our public hearings.

Mr. FLEMING: What about Dr. Marsh?

The CHAIRMAN: Yesterday we received a report from Dr. Davidson to the effect that he cannot come. Miss Whitton is out of town on a speaking tour, and there has been no answer received from her by Dr. Davidson to a telegram he sent her.

Now, gentlemen of the Life Insurance Officers Association, the members of the committee, as you yourselves could see, were highly interested both in your brief and in your comments; and you may rest assured that you have been of great help to us in our studies. This, as you know, is a very difficult question; and I believe sincerely that your contributions to our work have been highly useful. I thank you, gentlemen.

The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

FRIDAY, MAY 19, 1950

WITNESS:

Mr. W. M. Anderson, C.B.E., General Manager, The North American Life Assurance Company, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

MINUTES OF PROCEEDINGS

FRIDAY, May 19, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Fogo, Horner.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Corry, Ferrie, Fleming, Knowles, Laing, MacInnis, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Mr. W. M. Anderson, C.B.E., General Manager of The North American Life Assurance Company, Toronto; Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare; Mr. M. W. Sharp, Director of Economic Policy Division, Department of Finance.

Members of the Committee had before them an address given by Mr. Anderson in Montreal on December 6, 1949, at the Third Tax Conference of the Canadian Tax Foundation.

It was agreed that this paper entitled "Some Reflections on Personal Taxation in relation to Social Security Benefits and Assistance" be incorporated in this day's Evidence, and that it constitutes a basis of discussion in the Committee's examination of the witness.

Mr. Anderson was called and examined. He filed two annuity tables showing (*a*) Insurance Company example premium rates, and (*b*) population table premium rates. It was ordered that these be printed in Appendix to this day's proceedings. (*See Appendix "A"*).

The Chairman also laid on the table the following documents which appear in Appendix to this day's proceedings:

1. Recommendations of U.S. Senate Committee on Finance re Social Security Revision Bill H. R. 6,000. (*See Appendix "B"*).
Revision Bill H. R. 6,000. (*See Appendix "B"*).
2. Possible uses of National Housing Act facilities in connection with Housing for Aged Persons. (*See Appendix "C"*).

At 1.00 p.m., witness retired and the Committee adjourned until Tuesday, May 23rd, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Friday, May 19, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m., Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The Chairman: Senator King and gentlemen, we have a quorum.

Mr. Anderson, the General Manager of the North American Life Assurance Company, has been good enough to consent to appear before us on very short notice. Mr. Anderson has made special studies in the whole field of social security and particularly on old age security. Your experience and your studies will surely be of benefit to the members of this committee, Mr. Anderson, and they join with me in thanking you for having gone to the trouble of coming here, and again I repeat, on such short notice.

I understand that we will use as background for your testimony the speech that you delivered in 1949 before the Canadian Tax Federation and the parts of it which relate more particularly to old age will be found on pages 6, 7, 8, 9, 10, and 11. I understand that under the circumstances, since this is not a memorandum or brief that has been prepared especially for this committee, you would like to make a few opening remarks. You have the floor, Mr. Anderson.

Mr. W. M. Anderson, C.B.E., F.S.A., General Manager of the North American Life Assurance Company, called:

The Witness: Messrs, chairman, and members, I thank the committee very much for this invitation to come and appear before you. I would like to make it clear that I am coming in a personal capacity. As the chairman has said, I am engaged in the life insurance business. I also happen to be a fellow of the Society of Actuaries, but my position here today is a personal one. You mentioned, Mr. Chairman, that we might use as the basis of discussion certain pages from a paper which I delivered last December to the Canadian Tax Foundation. As you have stated, the pertinent parts of the paper are contained in pages 6 to 11. I do not know what your wish is—whether you wish to use those parts alone as an extract from the paper. It is conceivable that some questions may arise on certain other parts of the paper.

The Chairman: Is it the wish of the committee that at this point the whole document should be printed in the evidence?

Mr. Fleming: Mr. Chairman, I think we will have to print the whole document because if we leave these parts out we do not give the background on which Mr. Anderson leads up to this detailed explanation.

The Chairman: Is it agreed that the whole of the document should be printed in the evidence at this point?

Agreed

SOME REFLECTIONS ON PERSONAL TAXATION IN RELATION TO SOCIAL SECURITY BENEFITS AND CONTRIBUTIONS

An Address given by W. M. Anderson, C.B.E., F.S.A., in Montreal, Tuesday, December 6, 1949, at the Third Tax Conference of the Canadian Tax Foundation

During the course of this conference you have been studying intensively certain aspects of corporate taxation, with particular reference to the impact of such taxation on shareholders of corporations. It seems to me to be appropriate before the conference comes to its close to take a closer look at some of the more general problems involved in personal taxation as it affects individual members of the community.

In approaching my subject, I should like to do so primarily from the point of view of the family rather than the individual. For just as the family is the basic social unit in the community and the basic economic unit, so also has it become for many purposes of personal taxation the basic tax unit. This is a natural consequence of the fact that the great majority of us live most of our lives as members of families, wherein there is a high degree of sharing of economic values as a result of the close relationships which create and maintain the family as a social entity within the community.

The economic position of the family has changed markedly in the course of recent generations. It is not so very long ago that the typical family was substantially self-sufficient. It grew its own food, built its own shelter and made its own clothes. In the course of our modern development and progress, we have discovered that intensive division of labour through specialization, the effective use of machines, and the efficient mobilization of specialized labour and machines in larger economic enterprises, have enabled us to produce both goods and services in much greater variety and quantity than could otherwise possibly be the case. The result has been that we have become and are still becoming progressively more urbanized, and further that more and more of the workers in our families are becoming employees rather than workers on their own account.

The result is that in the typical family today there is highly specialized production of particular goods or services which are used by many other families in the community, and correspondingly the family consumes a wide variety of goods and services produced for it by many other families. This, then, is the fundamental economic position of the typical family in today's world. It is indeed a kind of multilateral trading system, and one which is regulated in its vast multitude of transactions by a money economy.

However, there are certain essential differences between the family in the economic sense and the typical business, whether corporate or otherwise. Businesses characteristically consume goods and services in order to produce other goods and services for the consumption of others. The family, on the other hand, engages in the production of goods or services, either for itself or for others, in order to enjoy the consumption of the goods and services which it produces or acquires. It produces to consume, rather than consuming to produce. It is also important to note that substantial part of the typical family's activity still remains non-economic. This is true not only of the productive work within the home for the family's own consumption, but it is characteristic of the tremendous variety of services which family members perform gratuitously for various groups within the community with whom they are identified. I mention these points because of the great difficulties which they cause in arriving at a precise definition of the income of the family in an economic sense—a definition which is of essential importance in the problems associated with personal taxation.

The Position of Government

In order to examine intelligently the taxation problems of the family, i.e., its fiscal relations with government, it seems to be essential to take at least a brief glance at the position of government itself. Here in Canada we have, of course, three distinct levels of government and the family may be concerned with the tax policies of each. However, our levels of government have become so interrelated by direct and indirect transfer payments between each other, that it seems simpler to consider all three levels together in certain of their aspects.

The fundamental position of government is that of providing for the community at large goods and services which, because of their universality or their naturally monopolistic character, either cannot or by common consent should not be provided through the normal channels of private economic endeavour. Certain of these activities may be carried out on what is practically a commercial basis, wherein the goods or services produced by government are sold to the users. From the point of view of taxation, we are not concerned with such cases in so far as they tend to meet their own costs, including a return on the capital employed comparable to that of a similar private enterprise before taxes. In situations where such activities are operated at a substantially greater profit they are really in the nature of a fiscal monoploy, and the profit involved may be regarded as a virtual indirect tax. On the other hand, operation at a lower level or at a loss has the same effect as a subsidy in respect of the goods and services produced.

Taxation as a Fiscal Instrument

Apart from such situations of a quasi commercial character, government activities embrace a very broad range of services which are provided to the community in such a way that it is either impossible or impractical to make any direct charge, or at least any significant direct charge, for their use. It is in order to pay the cost of these broad general activities of government that taxation as a fiscal instrument has developed.

Because of the highly interdependent exchange economy in which we live and because so many of government's activities have as their basic reason the assistance in the production of income in the economic sense, it has become almost axiomatic that the great bulk of taxation should be assessed either directly or indirectly against income. Accordingly, we have developed two substantially different but nevertheless complementary systems of taxation; one of them, a method of striking the net incomes of various agents of production; and the other a process which in effect takes a share of the goods and services produced from their market price for consumption. While the family is naturally concerned with the over-all level of taxation, both direct and indirect, it has within limits a significant degree of freedom in adjusting itself to the incidence of indirect taxation in so far as it is of a selective character. It can do this because of its comparatively wide freedom of choice in expenditure and its freedom to save, both of which freedoms allow it to adjust for changes in the impact of indirect taxes. However, this is not the case in respect of direct taxation. Here the family is assessed upon its own economic income, and only within narrow limits can it legally avoid or soften the impact of direct taxes.

Development in Taxation Policy

With direct taxes at a relatively low level, the taxation problems of the family are not grave. However, the events of the last two decades have contributed to a very significant change in the importance of direct taxation to our families. During this period taxation policy has changed to the point where, while it may still be regarded as primarily fiscal, it is no longer predominantly so. In particular, taxation at high levels and associated with government borrowing policy and

monetary measures has acquired important economic characteristics. These may be typified by the so-called cyclical policy of government finance, with its influence on prices, wages, incentives and employment.

During the course of the war, we also learned much about the emergency uses of taxation, in the sense that it may be used in various ways to help to maximize the nation's war effort under the emergency conditions which existed. I think we have also witnessed a substantial expansion of the political aspects of taxation policy. This has come about because of the necessarily complex and arbitrary character of relatively high levels of taxation. Accordingly, there has been room for the exertion of political pressure with high amounts at stake.

Taxation as a Social Instrument (The "Disproportionate" Tax System)

Political interest in taxation policy has found its greatest field in the development of taxation as a social instrument, i.e., as a direct or indirect means of modifying the relative economic positions of different families in the community.

In the direct sense, the social aspect of taxation is typified by the progressive character of the personal income tax. It is true that under pre-war conditions of lower impact and gentle progression, the incidence of income taxation could have been explained on other than social grounds. However, the tax has emerged post-war at a highly progressive scale of rates, accompanied by an integrated succession duty and gift tax system which is also of a highly progressive character. In combination, the two taxes operate in the higher brackets to requisition from families large portions of their property and income, in amounts far beyond the value to such families of services provided by government to them. Indeed, the system might rather be described as "disproportionate" than as "progressive".

Apart from the question of the inequity of tax structures which are too highly progressive, their greatest danger lies in the dampening effect which they have upon incentives. It is my belief that within limits a higher rate of tax is not likely of itself to affect incentives more adversely than a lower one. The damaging effect comes about through the comparison of one rate with another by the individual himself. He tends to compare his own marginal and total tax rates with those of his fellows or with those of previous years. Where the comparison is unfavourable, he is likely to question the value of greater effort or greater risk-taking on his part in comparison with the price. This is a particularly likely situation where he faces the prospect of moving into a higher tax bracket with a higher marginal rate. This dampening of incentive appears to be widespread for some little time after a general increase in taxes, until the new rates become accepted generally as a normal part of the tax structure.

From the foregoing it may be concluded that I favour an income tax structure where a single marginal rate of tax is used over as broad bands of income as it is practical to arrange. I feel that such a method, involving proportionate taxation of successive increments of income, would be of better advantage than the present highly progressive method, even although the marginal rate of tax were fairly high. Since equal income movements in the case of virtually all taxpayers would result in equal tax differentials, the effect of the tax would tend to be a neutral one as between different people, and accordingly it could be expected to operate in such a way as not to distort relative incentives within the community. Furthermore, it is my belief that as long as the relative incentives of one individual as compared with another are undistorted, there will be no dampening of the absolute incentive of the community as a whole. (This point of view is demonstrated by the corporation income tax, which has been a proportionate tax bearing equally upon equal increments of income at a relatively high rate. From the record it can hardly be said to have had a dampening effect upon corporation incentives.)

Taxation as a Social Instrument (Transfer Payments)

May I turn now to the indirect use of taxation as a social instrument. Among the activities of government there have developed substantial responsibilities in respect of the least fortunate families in the community. Among these is our present system of old age pensions and pensions for the blind. This system, in spite of its low level of benefit and its regressive character, involves payment from government of the order of $100 million annually.

During the depression relief payments were of a large order, and these have continued on significant scale even in recent years. On the other hand, to prevent a recurrence of the same type of situation on as large a scale we have developed our system of unemployment insurance which is designed to be financed to a substantial extent by special contributions from employers and employees although, because of the inherent unpredictability of unemployment rates from the longer term point of view, it is difficult to say just what the contribution of government to the fund ultimately will be In addition there is the significant problem of unemployment assistance to those individuals who exhaust their insurance benefits. Of course, if we are successful in maintaining adequate levels of employment in the future, these difficulties should not arise in embarrassing degree.

Family Allowances

The most outstanding development which we have experienced in the field of cash transfer payments from government occurred with the introduction of the family allowance system in 1945, whereby cash amounts ranging from $5.00 to $8.00 per month according to age are paid in respect of virtually all children age 15 or under.

The economic problem created by the dependent children within the family is one of increased consumption of goods and services and accordingly increased expenditure with no corresponding change in income, which is dependent upon the family's productive effort rather than upon the number of mouths to be fed. I believe that the solution of the problem which we have adopted in Canada, that of family allowances, is an admirable one in every respect. It has made compatible our economic and social philosophies; that is, that on the one hand income should depend upon productive effort, while on the other hand that the family with children has wider responsibilities of its own and on behalf of the community. I admire particularly the fact that the family allowance system is universal, and that there is no consequent classification of families by economic position into eligible and ineligible groups. I believe it is also sound that the amounts of the allowances are governed only by the number of children and their ages, and that they are not affected by the family's economic position. Even more important is the fact that the allowances are payable in money and that the responsibility for wide choice of expenditure is left in the hands of the individual family where it properly belongs. I do not mean by this that I am opposed to the extension of community services for children in the manner in which we now provide our educational facilities. However, I believe that moves in this direction must always be studied carefully in the light of the lessening of family responsibility which they may entail.

Our family allowance system involves an average rate of payment of about $6.00 per month per child; and for the nation a total annual level of about $275 million. This is a gross rate of payment, which is in part offset by the fact that the income tax exemption for dependents is very substantially reduced in respect of children under age sixteen. Roughly one-third of the family allowance children are in tax-paying families, and the income tax system effects recovery of about two-thirds of the allowances paid to this group.

"Negative" and "Contributory" Taxes

This brings me to an important point in connection with these transfer payments by government, of which family allowances are the most important and widespread example. As far as I can see, whenever transfer payments of this type are made by a government to its citizens according to a regular and formalized system, they can only be described in one way. They are in fact a negative direct tax. I feel that this point is rather easy to see in the case of family allowances, because of the way in which they interlock with the personal income tax in the higher brackets and because there is no system of contribution identified with them, their costs being borne from general taxation. Perhaps my point is not as clear in such a case as our unemployment insurance system, where there are direct contributions by both employer and employee. However, the answer lies in the fact that compulsory contributions of any kind made by the public to the government are in essence a direct tax, even although they may be identified for a particular purpose as certain taxes are from time to time. In the case of unemployment insurance, there are several reasons for using compulsory contributions (or contibutory taxes, as they might preferably be called). For example, the system is only applicable to certain employed persons and not to other members of the labour force and, accordingly, it would be inequitable to finance it from general taxation because of its lack of universality. Furthermore, the volume of benefits is potentially subject to substantial cyclical fluctuation and accordingly it is desirable for the scheme to operate as a fund, rather than on a pay-as-you-go basis. Obviously this is facilitated by a special contributory tax system. Nevertheless, it may still be said quite properly that when unemployment insurance benefits are paid, they are in fact a transfer payment from government, and as such constitute a negative direct tax.

If we accept on the one hand the argument that the system of direct taxation embraces all compulsory contributions (or contributory taxes), and also embraces in the negative sense the formalized transfer payments, we arrive at the conclusion that this fiscal organism as a whole is dominantly a social one. It affects very substantially the incidence of effective personal income within the community, and in the process divides the great majority of our families into two broad groups, i.e., those where the net direct tax is positive, and those where it is negative. Because of this situation, the system tends to develop substantial political aspects. These are aggravated by the fact that the structure as a whole tends to be very complicated and changes, when made, may seem to be of an arbitrary character. Furthermore, we have yet to develop any fundamental philosophy which will serve to explain and interrelate the whole system of direct taxation, compulsory contributions and transfer payments, and consequently lead to over-all simplification.

The Democratic Principle of Taxation

May I suggest that, at least until we have a better understanding of our over-all objectives and methods, the number of citizens who are eligible to vote and who are members of families which are in a positive tax position, should be kept in excess of the corresponding number whose families are in a negative tax position. As far as I can see, this seems to be the soundest democratic way of ensuring that we do not run to excess, through a process where net recipients can out-vote net taxpayers and which therefore might be described as taxation without representation. Incidentally, this same democratic principle may have further application within the group subject to net positive taxation. For example, at least half the eligible voters among the taxpaying families should be members of families whose tax load in relation to income is at least as heavy as the proportionate load for the taxpaying group as a whole. While I do not want to elaborate on this theme, may I say

that I believe it to be of tremendous importance that we sort out all of our ideas about incidence of taxation, in order to arrive at some logical and widely acceptable principles which will accord with political equilibrium.

It is doubtful if we would worry too much if the present situation could be expected to remain static. However, this is by no means the case. Already we are delving into such subjects as so-called health insurance (of a compulsory character), and schemes for large scale subsidy of housing costs and rents. I wish I had time to deal with these situations at length, since they both involve potential financing of high magnitude and entail many complex problems and substantial dangers. However, I must content myself with a brief further reference to them at a later point.

The Problem of Old Age

Overshadowing these in both importance and difficulty, and also in financial implications, is the problem of changes in our old age pension system, which has become a major political issue in recent years. The problem has its roots in the inherent loss of income to the family through inability to continue economic production in old age. This is, perhaps, the most important economic problem of all in the family's affairs. Long ago, when our families were largely self-sufficient, they existed with more or less continuity through generation after generation. At any one time a family would normally consist of individuals of many different ages: children too young yet to work, adult working members of the family and elders who, because of their age, had passed beyond the period when they could contribute significantly to the family's productive effort. Because of the incidence of mortality in those days, it was unusual for these elders to form a very large proportion of the family group and accordingly it was not a great hardship for the working members of the family to take care of the needs of all, and there was no acute widespread problem of old age in the economic sense.

Today the situation has changed enormously. The modern family is formed at marriage and its children frequently leave it when they reach maturity and marry to form new families of their own. The parents go on into old age and eventually reach the point where there is very little ability or opportunity to produce income through economic work. Accordingly, the extremely important problem of saving for old age presents itself within the family. Those families which realize their responsibilities take this problem very seriously and do their utmost to solve it satisfactorily. For a satisfactory solution there must be very substantial savings from the family's income during its economically productive period, and this is a very difficult program to maintain over long periods of time under modern economic conditions. Independent of this great difficulty of saving, the success of an old age savings, the success of an old age savings program within the individual family may be adversely affected by a number of other factors:

1. Lower interest rates than contemplated may impair the income derived from savings.
2. Taxation on these interest earnings may exercise a similar effect.
3. Increasing price levels may impair the purchasing power of savings.
4. Unpredictable investment losses may occur.
5. Family emergencies or economic pressures may cause the diversion of prior savings for other purposes.

It seems to me that even if we assume that all families are thrifty and carry out their responsibilities in this connection as well as they can, we will still be faced with the situation that many persons in old age will be in a difficult economic position. In Canada we have given recognition to this fact

through our present old age pensions system, but I think nearly everyone in the community would agree that the present system has serious defects. As you all know, it is a system of flat pensions commencing at age seventy, subject to a means test, and through most of the range within which it operates grading down dollar for dollar against the income of the individual from other sources. My chief criticisms of the present system are as follows:

1. Its recipients are categorized as a low income class and set apart from others in the community of comparable age.
2. Within the group in which it operates, there are extensive means tests.
3. Because of the regressive benefits as compared with other income, there is almost a complete dulling of incentive for anyone who has not the ability or opportunity to provide income from other sources significantly beyond the pension range.
4. Within the class of recipients there is almost no incentive to continue to do any work. While this may not be a very important point beyond age seventy, it would be of great importance if the qualifying age were lowered. It seems to me that any pension scheme operated by the community at large should in no way dampen the incentive to work, for if it does it contravenes the objective of full production by the community as a whole.

Flat Versus Graded Benefits

We have had many proposals in Canada to improve our system of old age pensions and there is a varied assortment of ideas on the subject. To assist in clarifying our thinking, I would like to refer to two important differences in principle. The first has to do with the question of whether the benefits should be flat as between recipients, or should be on a graded scale (i.e., higher for those persons in families who have been further up in the economic array). In this connection it seem to me to be obvious that if one person who has been in a better economic position than another is to be entitled to a higher pension, his contribution towards the cost should exceed the contribution of the other by the amount necessary to provide the difference in benefit. If he does not contribute this much more, we have the obviously impolitic position that he will be drawing from the community at large more than his less fortunate fellow. On the other hand, if his additional contribution goes beyond the cost of his added benefit he may well ask why he should not have the right to direct this additional contribution into other channels of his own choosing and to his better advantage.

Even where differences in contribution and differences in benefit are equated in value (and this is an almost impossible equation to maintain long term), it may still be said that to require this money to go through the particular channel of an old age pension scheme interferes materially with the individual family's freedom of choice, and may in many instances operate significantly to its disadvantage. This is my primary reason for favouring a flat benefit, as against a graded benefit, pension scheme—one which treats all individuals alike in old age and does not relate to the previous economic position of their families.

The Deferred Equity System

The other difference in principle relates to the method of finance of an old age pension scheme which operates across the community at large. One method frequently suggested is the so-called deferred equity system. By this process contributions commence when the scheme goes into operation, and the benefits

are related to the contributions which are made. Accordingly, during the early years of operation of the plan those persons reaching benefit age have only had short contribution periods and their pensions are very small. It may be as long as seventy years before the then current aged population as a whole would be in receipt of full benefits. Accordingly all those persons beyond productive age at the scheme's inception must be dealt with by other methods. In addition those retiring during the first forty to fifty years of the scheme may require supplementary assistance in many instances.

Another difficulty of the deferred equity system is that for a great many years contributions will exceed benefit payments, and accordingly an extremely large fund will be built up. Eventually, when the system is stabilized, benefit payments will substantially exceed current contributions, the difference being met by the interest earnings on this very large fund. This situation creates two grave dangers. The first one is that a fund of the magnitude contemplated cannot in fact operate to earn interest unless it is invested in productive capital goods. Since the fund is in the hands of the state, this would force very heavy state investment in the productive facilities of the nation. In other words, even although the community might be averse to large scale state ownership from other points of view it might be forced into it to make its old age pension scheme work. I do not believe that we have the right to tie posterity in this way.

The other danger is a political one. The concentration of a huge pension fund in the state's hands is a concentration of power and almost openly invites abuse of that power. Large scale funds of this kind which were built up in Central European and Latin American countries have materially affected their political situations. In some instances the funds have been used for armaments, leading the nations to war, while in others they have been misappropriated by dictators with consequent loss to the contributors.

Social Budgeting or "Pay-As-You-Go"

The other approach to old age pension finance is sometimes called the social budgeting method. It is based upon the premise that in the physical sense of old age pensions on a national scale represent nothing more than the transfer of means of payment for consumer expenditure from the current working population to the current retired population; in other words, an extension to the community at large of the old time principle operated within the family itself. This method is a true pay-as-you-go basis of old age pensions, and recognizes that the immediate, most pressing problem at any time consists of the current old age population. It is a method which may be financed either through general taxation or through contributory taxes, or partly through each of these sources. Since individual equity does not exist, it is a method which on a national scale must almost necessarily involve flat pensions which are paid universally to everyone beyond an eligible age, without classification and without a means test. Furthermore, it is a method which possesses flexibility under conditions of significant economic change, and one which in no way interferes with continued work by the beneficiaries in cases where they prefer to go on working. (I need hardly add the collateral point that either deferred equities or graded benefits and more particularly the two in combination, involve an enormous administrative problem which is almost completely absent in the case of flat benefits under social budgeting.)

It will be recognized that this social budgeting method of flat and universal old age pensions is the primary proposal which was made by the Federal Government to the 1945 Dominion-Provincial Conference. In that proposal it was suggested that we should have a universal old age pension of $30 per month

commencing at age seventy, and that study should be given to the question of lowering this age limit (but subject to eligibility tests) in co-operation with the Provinces. It was also indicated that the cost might be substantially met by a social security contribution involving a straight percentage of all personal income in the community.

I believe that this type of approach is the one which we should follow in the old age pension field—a flat universal pension, payable to everyone beyond a prescribed age—with the problem of additional income in old age being left as one to be solved by the family through voluntary action (either individually or jointly with others) in accordance with its responsibilities.

Old Age Pensions and Direct Taxation

The Conference proposal suggested that in order to remove some of the redundancy of the flat universal pension in the case of persons who had other means and in order to reduce the over-all cost of the scheme, the pensions should be regarded as taxable income, which would mean that in some instances significant parts of the flat universal pension would be recovered through taxation. I think that the intent in this connection was sound, but I do not think this aspect of the proposal went far enough.

Furthermore, it violates the principle that transfer payments from government are not personal income in the economic sense of the term, but are in effect, as I stated earlier, negative direct taxation. It seems to me therefore, that just as the income tax exemption for a child is substantially lower in the family allowance cases, so also the personal exemption for or in respect of an individual receiving old age pension should be very substantially reduced or even eliminated. At the present time, persons age sixty-five or over have a personal income tax exemption of $1,500 per year. If this were eliminated upon receipt of a flat universal pension, there would be progressive recovery through the income tax structure of a very material part of the pension costs, but there would be a net advantage as compared to the value of the present exemption for practically all persons in the old age category.

It may well be asked what the overall costs of such a system would be and how they might be met. Assuming that a flat pension of $30 per month (the Dominion-Provincial Conference proposal) were paid to all persons age sixty-five and over (i.e., about one million at present), the gross annual cost would be about $360 million at present. This would be reduced somewhat by reason of reduced or eliminated personal tax exemptions. However, it is significant that the gross cost would be about a third larger than that for family allowances, and would in fact be somewhat over 50 per cent of the total annual yield from personal income taxes in the post-war years. However, I think it would be quite illogical to suggest that a scheme of this kind should be financed either from general taxation or from an ear-marked portion of personal income taxes. Having regard to the interest of every family in the present and prospective implications of the scheme, it would seem that a flat rate proportionate contributory tax from all personal income would be by far the most simple, logical and equitable method of financing. In 1947 the total personal income of an economic nature was estimated at slightly under $10 billion, and in 1948 at slightly over $11 billion. This would mean that the cost would be of the order of about 3 per cent to 3½ per cent of personal income. While it is true that a contributory tax of this kind could be successfully deducted at source in respect of a great many forms of personal income and collected without great difficulty in respect of others, there would presumably be a significant area of personal income which could not be reached by the tax, because of administrative difficulties, under-reporting and vested exemptions. Accordingly the yield might not be expected to reach the level of the costs of the scheme unless it were at about the 4 per

cent level in relation to personal income. Furthermore there is the significant point that the proportion of the adult population at age sixty-five and over is increasing fairly rapidly, and accordingly the weight of the costs when assessed against personal income as a whole may be expected to increase, probably by about $\frac{1}{2}$ of 1 per cent of personal income every ten years (other factors being unchanged).

(In this connection it might be suggested that the contributory tax should be at a higher level in order to build up a fund which would serve the purpose of stabilizing the tax rate. This would not mean a fund sufficient to pay future pensions, but rather one of much smaller scale which would equate for the growing proportion of population at the older ages.)

An Extension of the Financing System

Actually it seems to me that we should give serious consideration to the question of financing family allowances in the same way as I have suggested for old age pensions. With old age pensions at $30 per month and family allowances on their present scale, the combined current cost would be about 6 per cent of current personal income in the economic sense (or about seven per cent of the personal income which a proportionate tax might reach). Perhaps it is a tax of this order which we should be thinking about as a universal proportionate tax levied on all personal income, and deducted at source wherever possible.

(It should be observed that if the family allowances in respect of a child are regarded as a "young age" pension to him and this is considered together with an old age pension of $30 per month for say 10 years after attaining age 65, the combined cost, approached from the point of view of individual equity, would require a contribution of roughly $100 per year during his working years. From its very nature this calculation obviously is approximately independent of mortality and interest assumptions. It is also obvious that a contribution of this order collected equally on a "poll tax" basis is completely impractical. Accordingly a modification in the form of contribution is essential. Because of the universality and personalized form of the benefits and the consequent desirability of having every one in the range of working ages share in the cost of providing them, a flat rate proportionate contributory tax on all personal income appears to constitute the only system of universal contribution which is both simple and practical.)

I think it might be agreed that if our main systems of transfer payments from government to individuals could be financed in whole by a universal proportionate tax on personal incomes (together with specialized contributory taxes as in the unemployment insurance system), there would be a much clearer understanding of just what we were doing and how we were going about doing it. Furthermore, the fact the changes in the transfer payment systems would entail corresponding changes in the proportionate or other contributory taxes would encourage much more informed and enlightened political consideration.

Universal Allowances

It may well be observed that a proportionate tax of the order of 7 per cent of income or even higher (if we venture into further transfer payment fields) might raise the question of serious economic pressure in the lowest income groups. In this connection you may recall that in one of the documents sent out to members in preparation for this conference there was an extract from *The Economist* of September 18, 1943, dealing with "Taxes on Business". This article contains the following statement:

> The . . . British income tax . . . is really three taxes in one—a universal proportional tax on virtually all incomes; a steeply progressive

tax on larger incomes; and a tax on the profits of business. An article last week suggested that if each of these three taxes was in future to be fully adapted to its purpose it would probably be necessary to separate them. A universal income tax, to be satisfactory, must be on a "pay-as-you-go" basis, and it must be very simple in operation. It was suggested that the best way of achieving these results would be for tax to be deducted at the source at a flat rate (or at two flat rates, one for earned and the other for unearned income) from all incomes, and the personal and other allowances to be given, as a separate operation, as an offset against these deductions.

May I now refer to the corresponding article in *The Economist* of September 11, 1943, entitled "Pay As You Go". This article is of exceedingly great interest and well worth while for anyone to read. It says in part:

> The only tax which can easily be collected from incomes as they arise is one which ignores all allowances and is calculated at a single flat rate on all incomes—or at a very simple progression (though this at once introduces complications). But to abolish all the allowances would, of course, be monstrously unfair. There is really only one way of escape from this dilemma. That is to provide the allowances, not as deductions from income before it is taxed, but as offsets against the tax payable . . . What has been suggested above is by no means new. But a novel further suggestion has recently been made in a paper read to the Institute of Actuaries. ("Income Tax in relation to Social Security" by A. T. Haynes, F.I.A., F.F.A., and R. J. Kirton, M.A., F.I.A. Submitted to the Institute of Actuaries on May 14, 1943.)
>
> "In calculating the cash values of the various allowances, the authors were struck by their similarity to the rates of benefit proposed in the Beveridge Plan . . . It would therefore appear that, after the adoption of a simplified income tax as proposed above and of the Beveridge Plan, the position would have been substantially reached that everyone *with* an income would be paid an allowance by the state as an offset against his income tax, and that everyone *without* an income would be paid very much the same allowances. Why not simplify the whole process and pay a cash allowance at fixed rates to every citizen, and levy income tax at two standard rates—one for earned income, the other for unearned income—on all incomes at the source as they arise? At first blush this seems like a revolutionary proposal. And yet, as Mr. Haynes and Mr. Kirton point out, it is not substantially different from the present income tax plus the Beveridge Plan. By the cumulative effect of several complicated enactments, the community is already on the verge of a position which, stated in simple terms, sounds quite revoluntionary. Why not acknowledge it for what it is? To do this would sweep away at one blow all the difficult administrative questions of qualifying for benefit. Every one would get his minimum income at all times and all incomes would be taxed. What more direct way could there be of attaining the ideal of a National Minimum?
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> "This is Messrs. Haynes and Kirton's thesis. It is new and startling and it requires very careful examination. It is not quite true (as they are aware) that a scheme such as they suggest would leave everybody substantially where he is now. It would be true of all social insurance beneficiaries, and it would be true of all those whose tax, at the flat standard rate, equalled or exceeded the cash allowances. But in between, those with . . . (tax) . . . less than the allowances . . . would realize a net gain, which would impose a corresponding cost on the Exchequer. This could be got round if it were provided that the allow-

ances were paid only as an offset against tax due or against proof of eligibility for insurance benefit—but in that case much of the simplicity and of the attraction of universality would disappear.

"For this and other reasons, a radical solution of this kind is hardly practical politics at the present time. It is good, however, that it should be brought forward for the widest discussion, in order that the public may grow familiar with it, for it is not so far removed from possibility that it may not be taken up in earnest before many years have passed. It is no more radical today than the Beveridge Plan would have been twenty years ago.

Universal Allowances and Proportionate Taxation

If we were considering a 7 per cent proportionate contributory tax for transfer payment purposes as I suggested earlier, this would mean that for persons in the lower brackets of income tax the combined marginal tax rate would average about 24 per cent. Why then might we not give some consideration to a proportional tax of say 24 per cent striking all personal income? On an income of $1,000 for example (i.e., the present personal exemption limit), this would mean a proportionate tax of $240. Accordingly, a universal allowance of $20 per month to all adults under age 65 would offset the proportionate tax at this income level. Correspondingly an old age pension of $30 per month would offset a 24 per cent proportionate tax on an income of $1,500 (i.e., the present personal exemption for persons age 65 and over).

Such a combined system would mean that we would levy a 24 per cent proportionate tax on all personal income, with source deduction wherever possible, but that correspondingly we would use a system of personal allowances of $30 per month to persons age 65 and over and $20 per month to all other adults except the extremely small minority of persons who, though able to work, might refuse to do so because of such a benefit and to whom the allowance would be denied. Below the $1,000 level the allowance would be a net benefit, i.e., it would exceed the proportionate tax payable. I suggest that in such cases the amounts involved might well represent the answer to the awkward long term housing cost problem, whereby persons of very low income cannot afford to pay an economic rent for housing of the minimum standards of quality set by the community.

With a proportionate tax of 24 per cent, it would not be necessary to move to additional taxes (which might be called surtaxes) until a fairly high level of individual income had been reached. Certainly they would not need to come into play until the $5,000 level at least and I should think the $10,000 level might be reached before they would be considered. Accordingly the method would satisfy my earlier premise that the same marginal tax rate would prevail for a very broad band of taxpayers. In fact, even with the very large group whose taxes were less than the flat allowances the same marginal tax rate would be operative. Probably as many as 95 per cent or more of all recipients of income would be subject to the same marginal rate of personal taxation, and the resultant effect of taxation on incentives would, according to my views, be virtually neutralized. (In using particular figures in the foregoing examples, I wish to emphasize that they have been for illustrative purposes only, in order to clarify my point of view. I do not wish it to be thought that I am endorsing or recommending any of the amounts or rates which I have mentioned. At the same time it might be mentioned that the combined allowances used, i.e., the present family allowances, $20 per month for adults under 65 and $30 per month in old age, would result in gross annual transfer payments of about $200 per capita. This is in excess of 25 per cent of the 1948 per capita personal consumption of goods and services and is probably at least 27 per cent of the

personal earned and investment income which could be reached by a proportionate tax. Accordingly even a 24 per cent proportionate tax would fail to finance completely the universal allowance system illustrated.)

Integration with Unemployment Insurance

In giving the foregoing illustrations I have not drawn attention to the simplifications which might result in our other transfer payment systems. As an example, in the case of unemployment insurance we would be in the position where the allowance of $20 per month would continue during a period of unemployment. Accordingly the unemployment insurance system might feasibly be fitted to this condition just as it is now fitted to the present family allowance system. This would mean that the contributory taxes for unemployment insurance and the rates of benefit would no longer have to be of a regressive character in relation to pay rates (i.e., a higher proportion for the small rates than they are for the larger ones). Accordingly the contributory taxes would become proportionate to covered pay (e.g., 1 per cent of covered payroll for the employee and a corresponding rate for the employer). Likewise the benefit rates would be directly proportionate to the rate of covered pay. Such an integration of unemployment insurance would be easier to understand and simpler to operate.

Catastrophic Health Costs

Another point to which I have not referred is the present position in the tax law of exemption for medical expenses in excess of 4 per cent of income. This relates to what might be regarded as the catastrophic health costs of the individual family and the ones which, when they occur, can be met only with difficulty and sometimes are of a magnitude and character where they are not insurable under present forms of voluntary insurance. It seems to me that this is an area where we should think seriously about a system where the amount of these costs beyond say 4 per cent of income (which appears from statistical evidence to be the average health cost borne by families at various income levels) might be directly covered as part of our direct taxation and transfer payment system. I have the feeling that a solution of this kind would be superior to any over-all health insurance scheme, which would involve a great many awkward considerations of a non-financial character.

Other Direct Taxes

In my discussion I have not referred to such elements of personal direct taxation as the investment surtax, the gift tax and succession duties. These adjuncts to the system have appeared for several reasons. In the first place, they reflect the absence of any tax on capital gains in our structure. Furthermore, they may have some bearing on the question of under-reporting of income. As well as this, they are of importance in relation to our system of indirect taxation in the sense that it strikes consumption as an approximation to income. However, there is a failure to do this in that consumption and income differ by varying amounts because of savings, and accordingly there is a case for specialized taxes which bear a direct relationship to savings, in the way that the investment surtax, the gift tax and succession duties do. In any event, the amounts of these taxes are very small as compared with the general level of income taxes or transfer payments.

Another Form of Transfer Payment

Another matter upon which I have not touched is the whole question of public borrowing with reference to taxation policy and with reference to the matter of interest on public debt. In many senses of the word, the interest

on the public debt is also a transfer payment but of a distinctly different kind. This has been borne out forcibly in recent years by reason of the effective control by government of the applicable rates of interest, and this means that any study of direct taxation and transfer payments is incomplete without reference to this question.

CONCLUSION

The Canadian Tax Foundation was formed for the purpose of studying the basic philosophy, structure and methods of our taxation system. In the course of my remarks I have endeavoured to bring forward the point of view that in the field of direct taxation at least, various special compulsory contributions (i.e., contributory taxes) are really a part of the direct taxation system, and correspondingly that systematized transfer payments, whether they are paid for through general taxation or contributory taxes, are really a form of negative direct taxation and therefore part of the system as well.

I believe that it is extremely important to study these matters as an integral group in order to arrive at a logical system which is simple, understandable, equitable and practical. My hope is that in the course of your projected studies of personal taxation my remarks may be of some assistance in guiding you to conclusions which will be of benefit to Canada and all of its people.

THE WITNESS: Since giving that paper I have continued to do a substantial amount of work in connection with social security, more particularly in connection with old age security, but even in the course of months one's view can change slightly. I might mention that I happen to have been on the drafting committee which prepared the brief which you reviewed yesterday from the Canadian Life Insurance Officers Association and the brief which you reviewed Wednesday from the Canadian Welfare Council. I might also say that in the case of the Canadian Life Insurance Officers Association brief I am in agreement with all the points that have been raised; in the case of the Canadian Welfare Council brief, I am in agreement with all the points upon which I feel competent to express an opinion. As you can realize there are some matters covered in that brief which are beyond the sphere of an actuary. I mention those points, Mr. Chairman, because those briefs, in contradistinction to this paper, may indicate how my thinking has progressed in the interval, and also because I do not want to take up your time by going over arguments and points of view which have already been presented to you within the last two days.

My main approach to this subject, I think, is very much the same as yours. Here in Canada we have an old age pensions system which within its framework has functioned relatively satisfactorily but which is producing the situation where our old people in the group beyond age 70 are divided into two classes, and two approximately equal classes: a class of pension recipients which is becoming very close to half the total group, and a class of non-recipients. Probably the non-recipients in the main have had prior economic status where they contributed very substantially to old age pensions which were being paid during their working years, while the recipients in the main probably had prior economic status where they were not contributing. It seems to me that that type of situation is a bad one to perpetuate in a country like Canada where it violates our ideas of the Canadian community as a whole. I do not think myself that a move to significantly relax the means test either by increasing the allowable income or alternatively by changing the dollar per dollar reduction formula would help the situation. It would substantially expand the group of recipients but it would make this two-class problem even worse than it is today.

My own feeling is that a sound and democratic solution lies in the direction of providing a pension for everyone who has arrived at a particular status, and I further think that in the process of doing this it is also sound and democratic to

develop a system of paying for these pensions by which virtually everyone makes some contribution. If we move in that direction we are making a major move that is quite important. It is not just a question of abolishing the means test. In fact, that is what may be done on the benefits side, but remember that a system of the type we have now, is a welfare type of approach, with a welfare type of administration. Once we move to a universal system we are no longer engaging in what may be regarded as a welfare measure. I think you will find in an earlier part of my paper that I have made reference to transfer payments of the character of family allowances and old age pensions if they were paid universally, in which I have categorized them as negative taxation, and in my opinion that is exactly what they are.

Going along from there, I have very strong views to the effect that a universal system of pensions should be a flat benefit system. I have the feeling that any system of graded benefits whereby people who had better prior economic status receive larger pensions is likely to have a depressing effect upon the people who are in greater need because it seems to me that the global commitment for pensions, that is, the aggregate burden, will be a very important consideration, and a process which elevates the pensions for some is likely to lower them for others. As well as that, I do not think it is quite in the Canadian tradition to engage in a system that grants greater fiscal benefit to persons who may be in a better economic position. Our whole taxing philosophy has been predicted upon the assumption that the man who is better off must at least pay the same taxes as the other fellow, and in most instances pay more. Certainly it is not within our taxing philosophy to assume that the man in the better position should pay less; and in effect, a system of graded benefits, if you regard it as negative taxation, has that effect. One other point, I will not go into detail: if you study some of the principles of taxation as developed by the economists I think you will find that from the long term point of view it is not possible to have one tax measure compensating for another one. The tendency in the development of a tax structure is to have the various taxation measures parallel one another rather than to have one tax method tending to correct another one.

Coming to the matter of amounts of benefit, on the one side I do not think that a universal benefit structure should provide benefits that reach the subsistence level. I think that the benefit structure should still leave at least some residual responsibility to the individual to save. It would not be in keeping with our ideas in Canada to have benefits cast at a level which would be sufficient or more than sufficient for broad segments of the population because that would mean that in their cases saving was no longer a necessary virtue. As well as that, and I think this point was mentioned yesterday, it has seemed to me that the benefit structure should be such that the recipient group as a whole taking into consideration all of their other resources should not be in a position where their spending power is beyond that of the population as a whole.

You will recall that the figures mentioned yesterday indicated that in 1949 the per capita personal spending was $68 a month. That figure includes non-cash spending such as the value of home ownership and home produced food, so that the actual figure for per capita cash spending is slightly below $65 a month. It does seem to me that that benefit structure should not be of such an amount that together with other resources the recipients would have a spending power on the average exceeding that figure. On the other hand, there is the point that by reason of our present position it will be undesirable to move to a universal benefit of less than $40 per month. The reason is that any lower rate of benefit would still need a very substantial supplementary means test system. A rate of $30 would mean that we would have means testing to the extent of an additional $10 per month, and this would affect most of the present old age pensioners in order to maintain benefit at the present level.

On the question of age, my views are that it would be very undesirable for us to contemplate universal benefit that commenced below the age of 70. I might

argue under other circumstances for a slightly higher age than 70, the reason being that it seems to me that universal benefit should not come into play until the age at which only a minority of the population are working, or are wives of workers; and from the statistics available I would think that point would be reached at about age 71 or age 72, certainly not just immediately below 70, where a substantial majority of the people at this age would be working, or wives of working people. On the other hand, we are in the position now where we have a system commencing at age 70, and I think it would be highly undesirable to contemplate moving to universal benefit and commencing it at a higher age than that.

You have had a number of points of view presented to you about the problem of people immediately below 70, more particularly the point that with the increase in longevity and improvement in health people can remain in remunerative occupations for a longer period of time. It has seemed to me that a substantial amount of study should be done on this question of the group immediately below age 70. Actually, there are four main categories in that group, and I am speaking now of those between ages 65 and 69. The first category is the people who are working, including the wives of these working people. The second is the people who are still in the labour force but are unemployed. I may say that from the Unemployment Insurance Commission's statistics the unemployed group in the labour force above age 65 appears to be very small, so small that it is estimated at less than 10,000, but there are no exact figures. The third category consists of people who are described as voluntarily retired, people who may still have the ability to work but who by reason of their resources have left the labour market. And the fourth group consists of people who are unable to work because of health conditions or what might be regarded as premature old age.

As I see it, any scheme fitted into this age group should not be universal. It might cover the people who are unable to work or it might cover on a means test basis, as is now done above 70; or it might cover on a so called work test basis, similar to that used in the United States. I do not think that there would be any very significant difference in coverage on any one of these three bases. I would imagine that the number covered would be of the order of 100,000 people who would come into benefit, whether under a health basis, or under a means test basis, or under a work test basis. There would be some difference in the figure depending upon the basis but it would not be very significant, because, as I say, a great majority of the people in that age group are either working or voluntarily retired and have other resources available to them.

Mr. SMITH: What age group are you talking about?

The WITNESS: The age group 65 to 69. A great majority of the people in that age group are either working or voluntarily retired. I would like to make one or two remarks, Mr. Chairman, about the questioning of finance. Would you prefer that I go on?

The CHAIRMAN: What is the wish of the committee? Shall we have Mr. Anderson proceed on the financial aspects of the scheme, or would you prefer to ask him questions on the topics which he has discussed this far in his presentation.

Mr. SHAW: I would suggest, Mr. Chairman, that we allow Mr. Anderson to go ahead and complete his submission.

Mr. BROWN: Yes, Mr. Chairman, unless we do that we may not have time to get him back on to it again.

The CHAIRMAN: Is that agreed?

Some Hon. MEMBERS: Agreed.

The WITNESS: Mr. Chairman, I did mention earlier that I feel that a program of this kind should be financed by a special method. Before looking at the particular method I would like to state my view, that I think it should be

financed through a special account into which the special revenue in whatever form it may be is paid and from which the benefits are paid, I feel that the financing should be on a pay-as-you-go basis, that the account should be designed to carry the system from year to year but it should not be of a type where a large fund is built up. I do not feel that it is even necessary to build up a fund to equate for the prospective increase in the proportion of persons at the older ages in the population. This increase may have the effect, as I pointed out in my paper, of slightly increasing the benefit load from decade to decade. My own opinion is that there should be special revenues sufficient to pay the full amount of benefits in good times. That would mean that in bad times, if they occur again, the revenue would not be sufficient to cover the benefit load. The fund or account would run at a deficit during bad times but would be self-balancing in good times; therefore, the balancing contributions out of general revenue would be determined by the extent of the cyclical fluctuations in the account. I do not think it is desirable to use a financing system that provides too much revenue in good times and too little in bad times with the idea of effecting a cyclical balance because there is a misunderstanding of the situation during periods of good times when the account piles up revenues substantially in excess of benefit payments.

Now, as to the form of financing, I have already said that I think the financing should be of such a character that virtually everyone makes some contribution of his own. The universal character of the financing seems to me to be important as a thing that parallels the universal benefit. Secondly, the financing should be simple. I shudder to think of some of the complications that arise from time to time in financing under such a scheme as the American old age and survivors insurance plan. Third, the financing system should be equitable in the sense that it must take cognizance of the ability to pay as between people in various economic positions. And, fourth, the financing system must be practical in the sense that it must not involve costly and difficult administration, nor should it be of such a character that it might run the risk of substantial collection losses.

Mr. Benidickson: Pardon me, what was the second point?

The Witness: The second point was that the scheme should be simple.

Mr. Benidickson: And the first?

The Witness: The four points were that the financing system should be universal, simple, equitable and practical.

In my paper I have suggested a method of tax proportionate to all income, which is the system in effect in New Zealand. There are partial defects in that method and quite significant ones which do not appear on the surface. There is the defect in the case of certain low income groups where the problem of collecting the tax on all income would be a very difficult one, and the yield in fact would be very small. There is the defect in the case of non-cash income where it would perhaps be impossible to levy a tax of this kind. I refer, for example, to the value of home ownership, which I think is taxed in the United Kingdom. Another example would be the value of home food production. It is almost impossible to ascertain such items let alone to levy and collect a tax on them. Accordingly, it has seemed to me that it might be desirable to explore more fully the concept of a tax not upon personal income but upon personal spending; that is a tax in the general form of our present sales tax; not a tax that applies to all consumer sales, because as you all know there are certain very substantial areas to which the sales tax does not apply.

To my mind a tax upon personal spending should not include a tax upon food produced in Canada and a tax upon rents. My reason for this is that it is neither equitable to tax Canadian produced food since so many people produce their own food, nor is it equitable to tax rents since so many people own their

own homes. I think you will appreciate that a tax on personal spending, if it leaves out those two substantial areas of spending, has an impact as between families that is somewhat different from a tax upon all spending.

On the other hand it must also be observed that a tax on spending does not tax savings and some of my economist friends tell me that the present sales tax, for example, in the broad area of expenditure upon which it falls, has about the same impact on different families in the community as would a proportionate tax upon all personal income.

I might mention that this form of tax has an important incidental attribute (apart from the feasibility of collecting it without great difficulty as compared with income tax) in that it does not strike savings. It seems to me that if we are embarking upon a plan which might involve a so-called pension floor, it is important not to discourage supplementary savings; and if the financing method is a tax on spending rather than a tax upon income, savings are not adversely affected.

On the other hand it is important to realize that the method does strike the spending of savings and that a great deal of the resources of people who are in the old age group come from the spending of savings rather than from income. I would hardly venture to make an estimate; but in the case of annuitants for example, about $\frac{3}{4}$ to $\frac{4}{5}$ths of their spending is the spending of prior savings, while from one-fifth to one-quarter is the spending of income. Accordingly a tax on spending would in the case of the recipient group effect a very significant recovery from people who had other substantial resources. It would be much greater than any possible recovery which could occur through modifications of the income tax system in respect of the recipient group.
position as directly as might a tax on income; and in Canada's position, I think it is always important for us to realize that a great deal of our economic prosperity rests upon our position in the export markets.

The other point about financing which I would like to mention, is one you will see referred to in my paper. If we move to a universal pension, as I have said earlier, we are embarking upon what amounts to a fiscal measure of about the same type as family allowances. It is interesting to note that during our last federal fiscal year family allowances expenditure was $298 million. Old age pensions expenditure was $94 millions. That later figure includes pensions to the blind; but the total amount is just slightly less than the combined total of $392 million.

Sales tax revenue in that same year was $415 million. In other words there is today an approximate balance between revenue from the sales tax and federal expenditures on old age benefits and family allowances. If for example we were contemplating moving to a universal $40 pension at the age of 70, it would have the effect of lifting expenditures by some $200 million. In that case it might be desirable to consider the vehicle of an increased sales tax, perhaps modified to become more in the nature of a personal spending tax as I have described it, having regard to the particular purpose of the tax, placed at a level, let us say, of around 12 per cent rather than 8 per cent. That would produce revenue which under current conditions would cover both present family allowances and universal old age pensions.

I think those are the main points I wish to make, Mr. Chairman. However there are two things I would like to add. It has seemed to me that on this problem of the group in the late 60's there is a great deal of study to be done. I am very hesitant about feeling that we are ready in Canada to reach a conclusion as to just what ought to be done, and the extent to which responsibility should fall as between the different levels of government.

Moreover it seems to me that in the case of people beyond the age of 70, if we move to universal pensions, we should be very careful to study the living patterns which develop in that age group under conditions of receipt of universal pension.

My own feeling is that those living patterns may very significantly from what they are today and that you would find that with universal pensions many of the present old age pensioners might tend to move back to family groups whereas the present system is such that it has the effect of discouraging this in many instances. Accordingly it seemed to me that a study of this kind conducted progressively over the first few years, if we move to universal pensions, would give us a much better idea of the exact level at which universal pensions should be placed.

The CHAIRMAN: Now, gentlemen, should we take up the points raised by Mr. Anderson one by one, or by groups? What is the suggestion of the committee?

Mr. FLEMING: I think we should take them up one by one, Mr. Chairman.

The CHAIRMAN: Very well.

The WITNESS: Before we start, it was my understanding that a question was asked yesterday about certain premium calculations. I have those calculations if you care to see them.

The CHAIRMAN: The first point raised was universality of benefits under a flat rate benefit system.

Mr. SHAW: To those over 70.

The CHAIRMAN: Yes, to those over 70. Let us include the age. And we may add to that the amount of benefits and take the whole thing together.

By Mr. Fleming:

Q. From what you have said, Mr. Anderson, I think it is perfectly clear where you stand on the matter. We have asked different witnesses who have appeared before us for criticism of the present system. Their criticism broadly speaking has been threefold: first, the means test; second, the age; and third, the inadequacy of the payments. I think in all cases the witnesses repeated that order of priority and of urgency of remedy, namely, the means test, the reduction of the age, and an increase in amount. So I think it is quite clear from your statement just where you stand on this. You would subscribe, broadly speaking, to the same order?—A. In my view the most important problem is to eliminate the means test. As to the question of amount and the question of age I hesitate to place a priority upon them because I think that both of those questions require substantial further study. It seems to me it would be very undesirable to move to an amount higher than $40 or to an age lower than 70 perhaps for some years.

By Mr. MacInnis:

Q. I think Mr. Anderson made a statement that the amount of the pension paid without means test on a universal basis should be somewhat below the subsistence level; I think he said it should not reach the subsistence level.—A. That is right.

Q. I think I am correct in my supposition that a great many of those who reach the age of 70 and who at the present time receive the old age pension have no means other than the pension.

In examining the figures in the old age pension report for the province from which I come, British Columbia, I find that approximately 60 per cent of those reaching the age of 70, making application for old age pension and qualifying for it, have no personal or real property at all. Now, what are you going to do? How are you going to augment their income, if the pension does not provide a subsistence level? Society has come to the point where I do not think it will any longer tolerate a large section of the community—a relatively large section—living at a level which is lower than a subsistence level.—A. I can appreciate your point Mr. MacInnis. It has seemed to me that the statistics in relation to the present system suffer from certain defects. In the first place, a person of the age of 70

without means is placed in the position where he cannot earn any significant amount of money without having his pension reduced. You will find in that class a number of people who could still do some work, but with our present system they do not, because it has the effect of reducing the pension.

Secondly, there are others in the same group who could, under other circumstances, rely to some extent upon younger members of their family, but our present system discourages this because it has the effect of reducing the pension.

As well as that, there will probably always be a small residual group which, I would hope, would never get beyond, let us say, 10 per cent of the old age population, who might require some supplementary local assistance.

By Hon. Mr. Horner:

Q. Do you mean supplementary assistance by municipalities?—A. By municipalities or by provinces.

Mr. SHAW: Has Mr. MacInnis finished, Mr. Chairman?

Mr. MACINNIS: There is only one more point I wish to make. If the pension were sufficient or the benefit were sufficient to provide a subsistence level of living, and the means test were removed, those factors which you mention would not apply.

I agree with you on the bad effects of the means test. As a matter of fact, for a long time I have contended that it puts a premium on shiftlessness—and I do not like the use of the word—and also on failure of people to apply themselves. I have noticed, among the people who approach me when applying for pensions, that those who have worked hard and acquired a little home and a little savings are at a disadvantage, in my opinion, as compared with the person who has taken no thought of his old age at all. Prehaps those who have taken no thought are a very small proportion, but the force of economic circumstances prevents others from acquiring either property or income.

The WITNESS: As I expressed myself earlier, my own feeling is that the level might approach subsistence, but it should not quite reach it. I do not think it is right for us to take away all responsibility to save from the individual —and I refer even to those amongst the least fortunate people in the community. I think everyone should be left with some small residual responsibility of his own.

Mr. FLEMING: And of his family, in some cases?

The WITNESS: Yes.

Mr. SHAW: Would Mr. Anderson define subsistence as he regards it? Also, what would he do in the case where a man has a wife two, three, or five years below the age of 70 and while subsistence to the extent of $40 would suffice so far as he is concerned, what about his wife, for whom he has a legal responsibility?

The WITNESS: On the first question, I am afraid I am not qualified to answer. I think there are probably almost as many definitions of subsistence level as there are people who try to define it.

Mr. BROWN: It varies from municipality to municipality.

The WITNESS: Yes.

Mr. SHAW: Would you base it on a cost of living index at a given time?

The WITNESS: I am not qualified to answer the question of what subsistence level is. All I say is that if a reasonable conclusion as to subsistence level is reached, the universal pension should be placed slightly below that figure. As one of the members has pointed out subsistence level is something which is very difficult to define nationally. It has substantial variation for certain particular reasons—principally rent—as between the different parts of the country.

Mr. BROWN: Did you not say you could not take a universal payment of less than $40 a month?

The WITNESS: I said that, because of our present pension, it would be undesirable for us to move to a system which provided less than $40 a month because that would leave us with a very substantial residual means test system.

I assume that $40 a month would hardly be regarded as subsistence level in a good many parts of Canada. I appreciate the fact that it might be regarded as subsistence level in circumstances where the individual really has other resources—a man and his wife who own their own home or who have a farm, would find that $40 apiece might certainly represent subsistence. Remember, however, that they are in a position where they have already acquired those other resources and they are not entirely destitute.

Now your second question relates to—

By Mr. Shaw:

Q. Related to wives under 70?—A. It does seem to me that the problem of a wife under 70 when the husband is over 70 is one that requires significant further study. In other words, the wife is a member of this age 65 to 69 group of which I spoke earlier.

Q. But, on the other hand, it has a very definite bearing on the position of the pensioner over 70 in reference to this subsistence level of income?—A. Quite.

Q. My personal view is that one of the great weaknesses in the present set-up is our failure to recognize the existence of that dependent wife under 70? —A. Put it another way around though, Mr. Shaw. It might be argued that in those cases where the wife is several years younger than the husband the residual personal responsibility of that family is to save enough money to take care of the few years before the wife reaches 70 but after her husband has reached 70.

Q. That will apply in quite a number of cases but it cannot apply in a great many?

The CHAIRMAN: Maybe that is why the witness says that the particular problem you raise should be taken care of with the whole problem of people between 65 and 69.

By Mr. MacInnis:

Q. May I ask the witness a question there? Is it not desirable from a social or community point of view that where there is a family formation, at the age where the head of the family becomes eligible for pension some provision should be made if the income is not sufficient, to keep the family together—under circumstances as indicated by Mr. Shaw where the income would not be sufficient to keep the family together?—A. Well, it seems to me Mr. MacInnis to be a problem which falls in the area of what might be called assistance benefits rather than universal benefits as of right. The question as you expressed it relates to families of a certain character and presumably ones that are also in certain circumstances—humble circumstances. It does seem to me that it is a very difficult problem to solve on the basis of a universal benefit as of right.

I would like you to bear in mind two points that I made earlier: that at the present time it is probable that even as late as age 71 or 72 a substantial number of men are still working, and that the significance of the problem may not be as great as it appears on the surface.

In other words, if a wife is say three years younger than her husband, if he can remain in employment until he is 72 it would only be one year before she reaches the age of 70. I do not say that situation is common, but I say that there are cases of that kind.

Q. May I point out that the Canadian government has already taken cognizance of the family formation in the case of pensions that they provide for judges. There, surely, is an instance where there should be an opportunity of making savings while the family is working. Judges can continue much longer in the discharge of their duties than can most persons engaged in work. A provision is made that a certain part of the pension applies to the wife after the judge, her husband, passes away.—A. Well, Mr. MacInnis, I think you will find throughout the country in different occupational groups that particular pension provisions are arranged having regard to the circumstances of those occupational groups. The numbers involved are often sufficiently small so that the problems can be examined, to a substantial extent, on an individual basis to see that a satisfactory solution is reached. It seems to me much more difficult to get an approach which applies to the problem as a whole, and which can take all of these particular circumstances into consideration.

Q. It is not the approach that is so difficult—is it only a matter of the will involved.

The CHAIRMAN: Well, that is a matter of opinion.

Mr. LAING: I would like to ask a question in regard to money values. When we pay $40 a month to people we are deeply concerned about the goods they can purchase with $40. I think Mr. Anderson is probably more able to give us information here than anyone we have heard. Is it not a fact that over the years there is a tendency toward broad term deflation or cheapness of money—whichever term you may wish to use—punctuated by periods such as the years 1932 to 1935. However, over the long term, period probably again qualified by patterns of living which even the aged have to follow in part, there is an indication that $40 would be worth more today than it would be twenty-five years from now. Could that be taken care of on the basis of a five year review or a ten year review? Is that your general thinking?

The WITNESS: There are actually two parts to that question. From the longer term point of view there is the question of the value of money, but people in the government presumably know more about that than I do.

Mr. FLEMING: Presumably.

The WITNESS: There is also a much more important long term factor and that is increase in productivity. Given a stable dollar, we will presumably still have rising wage rates because of increasing productivity, and accordingly, rising spending power of the population as a whole. Quite naturally, under those circumstances, from time to time, a pension system would have to be reviewed. If the average per capita spending in Canada moved from the figure I stated of $68 up to $90 per month due to rise in productivity—and I am speaking now of stable dollars—a pension which might have been appropriate when the level of spending was $68 would not be appropriate when it was $90.

I mention the foregoing point as being a second phase of the same problem. Experience in this country, and the history of all systems, indicates that from time to time there would have to be some review. I do not feel, however, that it would be desirable for Canadians, through their elective representatives, to legislate that the review should necessarily occur at specified periods. It would seem to me that from the point of view of statistics it should be a matter of continual review; there should be continual comparisons of the position of the pension system with the position of the working population. It should be the responsibility of parliament as the result of that information developed from month to month and year to year, to take the required action when necessary.

Mr. LAING: You would agree that even the members of this group are carried along to a certain extent in their spending patterns by the vastly greater group?

The WITNESS: Oh, yes.

By Mr. Smith:

Q. I am not quite clear on this. Do I understand that with the universal system under which the age limit would be 70, that you would have as a supplement another system that would take care of those between 65 and 69, and where there would be all three tests: a means test, a health test, and a work test. Was that your suggestion to us?—A. My suggestion was that the problem should be explored quite fully. I do not believe at this stage, and perhaps for years to come, that we will get a final solution to the problem of the group aged 65 to 69 —and even perhaps for some of the persons in the early 60's.

Q. In that case, it therefore follows you do not believe at this stage that women should be granted a pension below 70 years of age?—A. While I appreciate the problem of wives below age 70 whose husbands are above age 70 it does seem to me that they should necessarily be considered as members of the age 65 to 69 group, and it would be undesirable to reach a partial solution for certain members of that group without exploring the problem of that whole age group.

Q. What is your reason that we should not take steps to take care of that group as soon as we can instead of exploring it and bring in the universal system —is that your evidence, to bring in the universal system first—and in the meantime explore this group and see what should be done? You do not think that problem should be tackled now?—A. I certainly have no objection to the study of it being made now; it is a problem that has been studied here in Canada and in other countries for some time and in other countries solutions have been worked out that are more or less satisfactory. I have not thought that studies in Canada are at such a stage that you would find widespread agreement as to a form of solution.

Q. It would seem to me that if we do not tackle that problem now we would be making a sudden jump from the welfare aspect of this problem into the fiscal aspect as you suggested earlier in your remarks?—A. I would point this out, if we move to $40 universal pension at age 70 the provinces will be in a position where they are relieved of substantial administrative responsibility in respect of the present pension group and are relieved of their contribution towards the present pension and that it is quite probable that the provinces for the time being will be in both the administrative and financial position to take care of residual assistance which may be required above age 70 for a very small group and also to tackle this problem of assistance at the ages just below 70.

Q. That would, therefore, mean that the welfare aspect would be looked after by each province, with each province being a little more conscious of its own particular province.—A. I assume that at the federal level it would be undesirable to move directly, as it were, into a program which did not deal with the situation universally in a particular age group.

Q. I would like Mr. Anderson also to comment again on the re-grouping by families which might result if we had a universal pension scheme. Do I understand you to say that as a result of universality with everyone getting a $40 pension at age 70 that there would therefore take place a re-grouping of families into larger units?—A. As I understand it, the situation today is that a pensioner may have the choice between, say, living alone, or living with children; if he lives with his children his pension is reduced somewhat, it is true; if he lives alone he is paying out rent, so he is in an approximately neutral position. The rent he is paying, if living alone, may about equal the reduction in pension which would occur if he moved in with his children. It may be that under the present circumstances, if the position is neutral, he prefers to live alone; but as soon as he is receiving a pension as of right the position in that family is now changed. A saving can be effected if he lives with the children and there may be a number of instances where this will occur.

Mr. MacInnis: An old person then becomes an asset rather than a liability?

The WITNESS: Yes, they are often very good baby sitters, as well, Mr. MacInnis.

Mr. SMITH: Mr. Anderson, do you think that figure would be large enough to have any effect on the housing situation in Canada today? Do you think it would be a factor that would tend to open up more housing, making more housing available?

The WITNESS: My understanding is that the housing situation in the country today is affected adversely by a number of factors which tend to result in under-occupancy of living quarters and in certain instances that may be one of them.

By Mr. Laing:

Q. There is one point in connection with this: I think much less emphasis on the group age 65 to 69 has been laid by Mr. Anderson and most of the other witnesses who have appeared, and it does not correspond with the questions that have been asked by the committee. Mr. Anderson quoted that increasing longevity due to improved medical attention and so on has increased the working period. Now, we have heard a great deal from other people about the prematurely aged. I wonder if Mr. Anderson would comment on that?—A. I might mention about the particular case of the company in which I work, that we have a pension scheme that provides for retirement in the case of men at age 65 and in the case of women at age 60, and in most of the recent cases that have come up for retirement, by mutual agreement these people have stayed on working. Does that give you an example of the type of situation that is arising, that people today are able to remain in active and useful employment beyond what had been recognized as the retirement ages.

Q. Except that the case of the prematurely aged is a very serious one.

The CHAIRMAN: Yes, I could say, as chairman of this committee, that I have received a voluminous correspondence from people in the age group 65 to 69 who say they are unable to work and they are in a very bad position. They say, that they have no means of support, that they are unable to work because they are prematurely aged or invalided, something should be done for them. You say that in their case a few years should be spent in exploring the field, but I wonder if you would agree with me when I say that a good exploration could be made if we could reach an agreement with the provinces under which we would do something, maybe a little at first, but something, practical in exploring the field. Let us say, as a starting point for instance, that under a means test system, we would cover the case of the wives mentioned by Mr. Shaw. We could also cover the case of the widows 65 and over, the case of the spinsters, and the case of those who cannot work. What if we try it, now, because at some time or other, in spite of Dr. Blair's objection, the time will come where the governments will have to think of invalidity pensions, so why not start with something now?

Mr. BLAIR: I have no objection to that.

The CHAIRMAN: Mr. Anderson, would you object to doing some exploration in that way?

Mr. BLAIR: I do not object to that.

The CHAIRMAN: That is right. I am sorry, Dr. Blair. You said it would be difficult.

Mr. BLAIR: Yes.

The WITNESS: Speaking in answer to that question, Mr. Chairman, as I say, if we move to a universal pension at age 70 there would be provincial administrative facilities and perhaps provincial money released to apply to this problem. You are suggesting that it might be desirable for the federal government, in a

smaller way compared to the way it has acted on the present old age pension scheme participating in such a program.

The CHAIRMAN: I am not mentioning the proportion.

The WITNESS: No, it might be a much lower proportion stimulating action on the provincial level to deal with this problem and, I suppose, going back to my previous remarks, you might consider allowing provinces to experiment, if you will, with a health test or a means test or a works test; that some of this exploration of which I speak might be exploration in the actual field of paying pensions in that group.

Mr. BLAIR: How far would you go in the works test? What would it consist of?

By the Chairman:

Q. Would you agree with me that some better exploration could be done in the active field in doing something?—A. If the final solution is one that is not universal, I would take it for granted that the final solution would also be one that would involve provincial and local administration, and granted that experimental work of a concrete nature should be done, I would be hesitant in expressing an opinion about the extent to which the federal government might contribute to any such program. It would seem to me that possibly if it were done the position might be reversed from the present one; in other words, the federal government might say we will provide 25 per cent of payments in this form, in this area.

Q. So as to leave the provinces with about the same amount of expenditure they are making now?—A. Yes. But more important, if there is to be a period of experiment where different provinces may have some latitude in determining whether they are going to use a means test, work test or health test approach, it would seem to be important from the point of view of equity between the provinces that federal funds coming into the picture should not be too great.

Mr. BLAIR: What about the work test? Could you tell us what it would consist of?

The WITNESS: The work test, as I understand it, taking the test that is used in O.A.S.I. in the United States is such that the individual himself really makes the test, that is, in other words, if he is employed he is not eligible, if he is not employed he is eligible. I have a grave objection to the work test being used in connection with the universal system. It means that the individual really elects as to when he is to take benefits as he does now in the United States, and the effect of that if you regard your whole system as being one of the transfer of spending power from the working population to the non-working old age population is such that the workers might rather object to people electing themselves out of the labour force prior to the time that they were unable to work.

Mr. MACINNIS: Do you think that objection would come from the labour force?

The WITNESS: Not if the movement were insignificant. If it were substantial I think it might easily come.

Mr. KNOWLES: Mr. Chairman, it seems to me the one place where Mr. Anderson has minimized the problem is in this age 65 to 69 group. I feel, for example, that the cases he cited of employees in his own company who wish to carry on, are not as typical as the cases mentioned in the letters that the chairman received. I would like to look again at this division that you made, Mr. Anderson, of people 65 to 69 into four categories. You said there is a group which is working plus the wives of people who are working; that there is a group in the labour force who are unemployed; the third group is the voluntarily retired; and the fourth group, is the unemployable. I wish it were possible to have exact figures

as to these various groups but I suppose rough estimates are all that could be had. It strikes me immediately that people in the fourth group and the second group are needy and it may be that many of those who you say are voluntarily retired are on the borderline between, being in group two and in group four; that they are retired partly because they cannot get work and partly because they have just enough resources to get out and to hang on until they reach age 70, and then I imagine, as far as I know from my own knowledge of conditions, that there are a good many in that first group of people who are working who are doing so only because it is not possible for them to retire; there is no provision for them if they do. As you are aware, it has become a fairly well established principle to retire people at age 65. You referred to the practice in your own company, but we see that is being done by the Canadian Pacific Railway. I think it is also recognized by the Canadian National Railways and I know it is a practice in most government departments. I agree with you that with respect to age 70 the need for universal benefit is much more obvious, and while I agree that that is socially desirable, Mr. Chairman, I think in view of the large number of people affected in this particular age group, 65 to 69, that we have got to do more than just explore this thing, we have got to make some recommendations.

The CHAIRMAN: I was not expressing an opinion, Mr. Knowles, I was only asking a question in the light of the facts that I outlined.

Mr. KNOWLES: Well, the opinion inferred in your question is one with which I agree, whether you do or not. In that connection I think it was logical that the dominion government in the proposals made to the provinces in 1945, advocated universal pension at age 70, coupled with the right at the same time to a pension for this group age 65 to 69 on a means test basis, the cost to be split fifty fifty as between the dominion and the provinces. If we can't get something better than that—I say that is the most practical proposal that has been put forward yet, but we need to reconsider that proposal, to make it something worthwhile and increase the amount. After all, the $30 figure suggested at that time would have to be a higher figure. The point that I want to make at this time is that I felt there was logic in the position taken by the dominion government in 1945, that along with the removal of the means test from those 70 and over something had to be done for those between 65 and 69.

Mr. FLEMING: Is that a question, Mr. Chairman?

The CHAIRMAN: It sounded like a statement to me.

Mr. KNOWLES: It is not out of order.

The CHAIRMAN: Are you asking the witness to comment on that?

Mr. KNOWLES: Yes, Mr. Chairman, I would like to have his comment on the comments I made with regard to the people in these four categories.

Mr. FLEMING: Your comment is on the wrong speech.

The WITNESS: I think Mr. Knowles' statement is an excellent indication of the difficulty of finding a satisfactory solution to that particular problem. I agree with him that there are people still working between the ages of 65 and 69 who are only working really under duress, because they have no other option and perhaps are past the point where it is desirable from the point of view of their health that they should be working. I agree that there are people voluntarily idle who are on a pretty bare level of living. I still come back to my original point that as far as I can see the fractions of the population between 65 and 69 that needs looking after is a small fraction, of the order of one-quarter of that whole age group, or it might possibly be as much as one-third, and a solution that is satisfactory is difficult to find. I worry, myself, about the long term suitability of the means test solution. We have come to the conclusion that the means test

solution is not a good one above age 70, and the argument against the means test with respect to the over age 70 group would be equally applicable to a solution for the group between the ages of 65 and 69.

Mr. KNOWLES: The needs test might be better.

The WITNESS: On the other hand, the needs test, as you have discovered, is an entirely different type of solution from the means test, and I think you have also discovered that it is one that is subject to a substantial degree of control by the administering agency; that is, it cannot be made anything like as uniform on a national basis as the means test solution; and, accordingly, I would think that it would not be desirable to have the matter handled under the needs test solution alone.

The CHAIRMAN: That would involve giving money to the provinces who could use it either with a means test or a health test method, as they chose.

Mr. KNOWLES: It would not be a political move on the part of the federal government.

By Mr. Fleming:

Q. There is a question I would like to ask respecting the universal flat rate pension. First of all, on the subject of universality, it is clear, from the statements made both in the House and in the committee, that the payment of benefits on a universal scale would mean that people with substantial income would receive this universal pension? At the same time we have had it pointed out to us here in the committee that the income tax could be made to take care of a situation of that kind; but it seems to me that if you adopt that type of scheme you are going to have problems in administration. Would you care to comment on that, Mr. Anderson?—A. I do not think it is an important factor at all, Mr. Fleming; and, obviously, in the case of people of ample means it would be possible by one method or another in connection with the income tax to effect full recovery in the same way that people with ample means make full recovery in respect of family allowance payments. I must observe though that I think the number of people from whom full recovery can be expected through tax modification would be very low; because, as I mentioned earlier, a great many of the people in that part of the old age group with ample means derive their spending power not from income but through the process of spending prior savings, from funds in the form of annuities or by other methods of liquidating savings. No modification of the income tax would affect recovery in cases where there is no significant income. However, you will recall that I mentioned that if the financing system was of such a character that it would be related to spending it would have the effect of getting substantial recoveries from people in old age with ample means.

Q. On the question in regard to the first rate, in reply to Mr. Laing you indicated that there was a lot of room for variation in the amounts, or that there was a need for adjustments from time to time. We discussed that topic yesterday with Mr. Holmes, who laid down the principle in relation to insuring at the beginning of the importance of knowing what the amount was going to be, and that any variations or reductions in amount of payments would have a significant effect on the end result, particularly when you are trying to keep it on an even keel.—A. Well, Mr. Chairman, my feeling is that legislation of this kind should not specify that there will be later revisions. In connection with the income tax you will find that there are reviews, that there are changes made from year to year, particularly with regard to exemptions as applied to the lower income groups, where the type of approach is very similar to the type of approach to universal old age benefit; but you do not write into the income tax statute a clause to the effect that if the cost of living goes up or the average income goes up, then accordingly exemptions from income tax will be changed.

Q. The brief which was presented yesterday on behalf of the insurance officers association did specifically indicate the view that it should be reviewed every five years.—A. Yes, but the brief did not indicate that there should be provision for review written into the statute. Possibly the Welfare Council brief so indicated.

By Hon. Mr. Fogo:

Q. I just wanted to refer for a moment to this age 65 to 69 group and to observe that when you stated the practice in your own company I was wondering if you were not familiar with the actual retirement practice under pension schemes in private companies in Canada. Are you familiar with the statistics of the eligibility for benefit, the pension age, as it applies under the United States insurance scheme or under the British scheme?—A. As far as the private schemes are concerned, Senator Fogo, the statistics are very meagre, as I think all of you realize. The impression that I have is that on this continent in the course of the war and because of employment pressures a number of business firms relaxed their retirement ages and kept people on after the age limits. I also have the impression that both the employer and the employee found that this was satisfactory. The employees preferred remaining in employment and the employers in many instances found it was valuable to have these people. In connection with national schemes my recollection is that in the evidence presented to you in respect of O.A.S.I. it was indicated that there were roughly a million people beyond age 65 who were eligible for benefits but who were not receiving benefit because they were still in the labour force. I think that compared, if my recollection is correct, with slightly less than 2 million, I think it was 1,900,000 who were on benefit; so that means with respect to the whole potential benefit group that a very considerable number are still remaining in employment and not taking benefits. I think that is a fairly significant situation in the United States.

Q. My impression would be that there are about 50 per cent of the people in the United Kingdom who are eligible to retire at 65 years of age but who delay their retirement until age 67 or 68 because they prefer to go on working.—A. I must confess that I have not examined the recent statistics in relation to the United Kingdom.

The CHAIRMAN: Shall we go on to finance now?

Mr. SHAW: I have a question I would like to ask, if I may, Mr. Chairman.

By Mr. Shaw:

Q. Assuming, Mr. Anderson, a universal pension scheme that would have a basic pension slightly below the subsistence level, would you agree that the provinces should be permitted a free hand to make whatever supplement they desired without that having any effect upon this basic amount?—A. A number of people on universal pensions may already have pensions say from their employment, surely you would not deny to them the right to get a supplementary pension from the province.

Q. I am not saying I would, in fact I would not; but this is between the two governments dealing with the particular problem. I think the provinces should be given a free hand in what they do.—A. Well, that has been the pattern recently in connection with the present system.

The CHAIRMAN: If we do not say anything about it, they will surely be permitted to do anything they want to do.

Mr. SHAW: I agree. And I was just asking the witness if he agreed.

The CHAIRMAN: If he agrees that if we pay universal pensions at the age of 70, the provinces could make any additional payments they want to make?

Mr. SHAW: That is the situation now.

Mr. SMITH: May we talk about financing now, Mr. Chairman?

The CHAIRMAN: Yes. But Mr. Brown has the floor, I think.

By Mr. Brown:

Q. You stated with respect to the form of financing that we should explore a tax upon spending, an idea such as a sales tax; and in your opinion we should exclude food produced in Canada and exclude a tax upon rents. Do you not think that that would weigh very heavily upon families with small children and upon the working classes probably in large centres? Would you care to comment on that thought?—A. I did mention—

Q. I am thinking of clothing and things of that nature.—A. I did mention the point that the sales tax should probably exclude those two broad groups, food produced in Canada and rents. And I mentioned that there were reasons other than the one you are bringing up now for excluding them. In the case of food produced in Canada there is the reason that you could not reach self-produced and consumed food. That applies to a very significant part of the population. And in the case of rents you could not reach the corresponding group of home owners. And in addition, I presume that municipalities would argue that the field of taxing real estate was already pretty well preempted by them.

Q. My own opinion, which I think is borne out by the studies we have made, is that in the case of the lower income group and the large family group while you may have a fairly large family income, the income for the individual in that family is pretty low because there are many children. I am thinking let us say, of a working man and his wife with four children under ten years of age.—A. Making how much? Let us say, $2,500?

Q. That is pretty fair in some communities; probably it would not be in my community.—A. Let us make it $2,400 for arithmetical purposes. He has himself, his wife, and four children.

Q. Let us say $2,000—A. Well, $2,000, then. The spending power per individual in the family is only slightly over $300. Shall we ignore for the moment that it is augmented by family allowances, because they would not affect it too significantly, although in that case they might raise the family spending power to about $2,300.

Q. Yes—A. The spending power, however, would still be less than $400 per individual and that compares with the figure which I cited as the average spending—of slightly over $800 per capita, that is the Canadian average of $68 per month. Now it is my impression, which I think is borne out by the studies which have been made, that in the case of families of that character the proportion of the spending power used to pay for food and shelter is much higher than it is in the case of families which are more favourably situated; and accordingly the impact of a tax on personal spending would be relatively less on that family than it would be in the case of a family of similar size but with a higher income.

I agree with the point that it is difficult to justify charging any significant tax on families of that kind; but I do not agree with the point that it is improper to exempt them completely from contribution to a system which, in the long run, will be of relatively substantial benefit to them. A universal pension system is of greater relative value to that family than to a family in the higher income group.

Q. You agree with me that a tax on spending would have a greater effect on a large family than it would on a small one.—A. No. I put it the other way 'round. I said it would have less effect on families where the spending power per person within the family was low, and would have less effect proportionately

if one family has, let us say, $400 per person to spend, while another has $800 per person to spend. The spending tax will be more than twice as great in the case of the second family.

Q. I think the answer is obvious: that with the same sized income the large family with the young children is going to pay more than a family with no children.—A. No, it is the other way around: a similar family with no children would bear a heavier tax.

Q. I am talking about the tax on clothing and things of that nature.—A. A similar family with no children, where the spending power is, let us say, $1,200 for the man and $1,200 for his wife, will bear a much larger tax because a considerably smaller part of their income will be spent for food and shelter.

Q. Most of the food is produced in Canada and it will not be taxed?—A. That is right.

By the Chairman:

Q. On what level is your spending tax? Is it something like the federal sales tax, or is it a retail tax?—A. You mean at what level is it levied?

Q. Yes. You did not mention that.—A. The question of determining the level at which to levy a tax of that kind I would say, to a large extent, is one of administrative feasibility.

Q. I agree.

Mr. BROWN: What do you mean by that?

By Mr. Knowles:

Q. You mean it to be levied upon articles, not upon a person's income?—A. That is right.

By the Chairman:

Q. Would it be an increase in our present federal sales tax, or would it be a retail sales tax?—A. I think that is a question of administrative feasibility.

Mr. BROWN: Assuming that it is, you say we should have a sales tax of 12 per cent?

By the Chairman:

Q. I would like to have an answer. I think it is a very important point.—A. As I understand it the present sales tax is levied at the manufacturer's level.

Q. Yes.—A. You ask if I visualize a tax at that level, or a retail sales tax?

Q. Yes.—A. My answer is that it is a question of administrative feasibility, and that the most efficient way of collecting the tax is the one which most properly should be used.

By Mr. Brown:

Q. What was that answer again, please?—A. The most efficient way of collecting a tax of that kind is the one that ought to be used. If it is more efficient to do it at the manufacturer's level, then probably that is where it should be done. But at the same time I agree that a similar tax at the retail level would bring home to various families throughout the country the impact of this program to a much greater extent than would the present sales tax levied at the manufacturer's level.

By the Chairman:

Q. Would it be fair to enter a tax field which has already been entered by the provinces and by the municipalities, I mean the retail sales tax? There is a 5 per cent retail sales tax in Montreal, of which 2 per cent is provincial, 2 per

cent is municipal, and 1 per cent school board. How can we get into that field? That is quite a problem. Mr. Brown has the floor and I am sorry if I interrupted him.

By Mr. Brown:

Q. You stated that you thought the present sales tax, as I understood you, could be raised to about 12 per cent, and that it would cover family allowances and old age pensions. I take it your idea would be to raise the sales taxes at the manufacturer's level to about 12 per cent roughly?—A. In speaking in that way, I had in mind that a levy of that order would produce the approximate additional amount of money that would be required in respect to an expanded pension program.

Q. Just an expansion of the present sales tax method?—A. I qualified my remarks by calling it a tax upon personal spending. In other words, it ought to be regarded as a tax on spending apart from food and shelter. The question of how it is levied and how it is collected, it seems to me, is one of administrative feasibility.

Q. Let us assume that this 12 per cent tax is levied at the manufacturer's level, but not upon food produced in Canada and not upon rents. It would therefore apply at the manufacturer's level on such things as shoes?—A. Yes.

Q. Stockings?—A. Yes.

Q. Clothing?—A. I understand that it does today.

The CHAIRMAN: Yes, it does; the 8 per cent tax does.

By Mr. Brown:

Q. It does today, and you would increase it from the present 8 per cent to about 12 per cent?—A. Yes.

Q. You say that would not have an effect on the—

The CHAIRMAN: Cost of living?

By Mr. Brown:

Q. On the cost of living of a family, such as the one we used as an illustration with an income of $2,000. and with four children under ten years of age.—A. I said it would not have as great an effect on that family's cost of living as upon a corresponding family with no children but with the same income.

By Mr. MacInnis:

Q. Would there not be a tendency to lower the standard of living of those who have not a sufficiently high standard of living now?—A. I would suppose that a direct contribution would do that too.

The CHAIRMAN: Unless you have some exemption level, of course.

By Mr. Brown:

Q. I have one more question to ask. In your form of financing you said that you believed it should be through a special account, and should be on a pay-as-you-go basis with no large fund built up; and that during bad times there should be deficit financing. The reports of proceedings of this committee are going out all over the country from one coast to the other and they will be read, I hope, by a great many people, many of whom are not too sure, including your speaker, as to what you mean by "deficit financing", except that you issue bonds or go into debt.—A. I am glad you brought that point up because when I spoke of a deficit in the account, I did not by any means envisage deficit financing by the government. I meant that in good times, ear-marked revenue—or contributory taxes, if you want to use that term—should approximately pay

for the benefits. In bad times revenue might fall short and accordingly, to keep the account in balance, there would have to be, during bad times, contributions from the general revenue.

Q. In other words, supplementary payments such as they have in Australia?—A. In New Zealand.

By the Chairman:

Q. In Australia too.—A. Australia is in the other position. They have more than sufficient ear-marked revenue to pay for the benefits.

By Mr. Brown:

Q. You believe that there should be some sort of reserves?—A. No. This is not a question of reserves. I am suggesting a method of financing where the income and out-go of the account would be approximately in balance in good times.

Q. And then in a period of depression such as from 1930 to 1935 or so—that covers a multitude of sins.

Mr. Knowles: "Sins" is right!

By Mr. Brown:

Q. You say this: that the government should make contributions to the benefits paid over this period of years; in other words, we would have to increase our taxes, we have got to increase our income. There is no question about that.—A. During those years, as soon as the revenue began to fall short of the benefits, there would have to be contributions made from the consolidated revenue fund.

Q. But any large contribution out of the consolidated revenue fund would mean an increase in taxation. Is that not correct? How are we going to get it otherwise?—A. That comes back to the question of over-all government financing.

Q. All right. Suppose this fund falls short in a depression year by, let us say, $300 million?—A. Well, I think that might be a little extreme.

Q. Say $200 million, I will bargain for $200 million?

The Chairman: That is the cost of the whole scheme.

By Mr. Brown:

Q. —if a Tory government was in power.—A. You would have no revenue at all if it fell that far short.

Q. You would have no depression though if the Liberals were in power?

Mr. Knowles: Well you are the one that has been asking about this.

By Mr. Brown:

Q. I am interested. What would you do in the absurd illustration of facing a $200 million deficit?—A. Take $100 million?

Q. All right.—A. You would have a benefit rate of $300 million and, in good times you have got $300 million coming in. You have got a $200 million revenue in bad times and therefore you have $100 million to be met from consolidated revenue account.

Q. Yes.?—A. As I understand it, the consolidated revenue account normally gets its money from general taxation.

Q. Right.—A. And on occasion it gets its money through government borrowing.

Q. Yes?—A. The question of where it is going to get this particular money could then be answered on the sources of income in consolidated revenue account.

Q. It has got to be obtained from consolided revenue and consolidated revenue is obtained from taxing the people or borrowing.

Mr. SHAW: Which is deferred taxation.

By Mr. Brown:

Q. No matter how you cut it it is all taxation?—A. Correct.

Q. Therefore you would have to get by increased taxation, is that not correct?—A. Correct.

Q. Then, or in a subsequent year?—A. Presumably through general taxes of other types.

Mr. KNOWLES: Having set aside a fund would not obviate the necessity of that?

The WITNESS: If the specific revenue that was allocated to a fund account was sufficient on the average in both good and bad times to cover the benefits, then you would have a situation of a little bit different type. That is what is termed cyclical funding. In good times you have revenue above the benefits, which would build up a fund, and presumably that would be sufficient to look after the deficits in bad times.

In my opinion it is not too desirable to have a specific financing system that operates in that way. I mention that because whenever a fund of that kind indicates a substantial surplus, as it might during a period of good times, there is then a fairly high degree of public misunderstanding.

Mr. BROWN: That is you mean people look enviously at the big fund and say "Why can't we get some benefit out of it?"

The WITNESS: Yes. I might express the views of one of my colleagues who is one of the most prominent actuarial authorities on social security in the world today. He says that no government program operates satisfactorily unless it operates at a deficit.

Mr. SMITH: I understood Mr. Anderson to say that sales tax as we know it is similar to a tax on income. I wonder if I misunderstood?

The WITNESS: Some of my economist friends tell me that our present sales tax, having regard to the group of goods on which it falls—and which does not include all goods—and having regard to the fact that it does not fall on savings, has about the same impact on different families in the community as a straight percentage tax—or personal incomes.

Mr. FLEMING: A straight percentage tax on all income?

The WITNESS: Yes. My understanding is that present 8 per cent sales tax has about the same impact on various families throughout the community as a tax of about $3\frac{1}{2}$ per cent on the total income of each of these families would have.

Mr. SMITH: Therefore your preference for money being raised by means of the present income tax is because it is therefore putting tax on all income, and, therefore, those in the very lowest brackets would also feel the impact of that income tax and they would know that they were paying for their security.

By the Chairman:

Q. Would you agree to a combination of direct taxation and spending taxes? —A. You are suggesting that some of the revenue might be raised through a tax on spending and some of it by direct contributions based on income with—

Q. With exemption levels?—A. — certain exemption levels which would not apply across the board.

Q. Yes?—A. Unless you designed the tax on spending in a very special manner, I am afraid the effect of that combination, while it might be a relief to certain of the very low income families because of the exemption, would result in a pretty awkward and substantial impact on the broad range of middle income families.

Q. The example that I gave would cost about $300 million. Suppose we took $100 million out of general revenue and that we obtained another $100 million by an increase of 2 per cent in the sales tax, and that we obtained another $100 million by a social security tax levied on all people on the whole of their income over a certain level?—A. I mentioned earlier that I think a financing system should be universal, simple, equitable, and practical.

Q. That is what I am trying to get at.—A. I would wonder if the suggestion you make would qualify on all of those four scores.

By Mr. Knowles:

Q. Now that you have mentioned those four points again may I ask if you did not say, when you referred to it having to be equitable, that you included the principle of having people pay according to their ability to pay. I thought you did say that was what you meant by the use of word "equitable"?—A. Yes, Mr. Knowles.

Q. I will put this in the form of a statement, if the chairman does not mind, and then I will ask a question at the end. It seems to me that your tax on spending which is another name for a sales tax, violates that principle of taxing people according to their ability to pay in that it is impossible to graduate it. Take Mr. Brown's family of four children—

Mr. Brown: I have only one child.

By Mr. Knowles:

Q. Take the family you were citing. That family pays that tax—the spending or sales tax—at the same percentage rate as the wealthy person who buys the same shoes and clothing. Now, to me, that is a feature which seems unfair, despite your contention that if you exempt certain things the impact comes out about the same?—A. Mr. Knowles. I suppose you and I would agree that ability to pay certainly means that a person with more money can pay more than a person with less money; but, as we proceed with the details, I might arrive at a somewhat different definition of ability to pay? In other words, I might arrive at a definition where ability to pay was approximately proportionate to income, but your definition might result in a method graduated according to income.

Q. That is right.—A. It does seem to me that the ability to spend is a very good indication of ability to pay.

Q. What about savings? Does it seem fair that some people who have extra wealth should be relieved of paying on that wealth because they can put it aside in savings?—A. Remember, Mr. Knowles, we are not considering a general taxation problem, where revenues are being raised for general purposes of the country, and where it might perhaps be argued that people in the higher income groups get more proportionate benefit from the things that the nation does with those taxes. Here, we are dealing with a system where, in the long run, people in the lower income groups will never pay as much as they receive.

Q. May I remind you that earlier today you said that in your view tax methods should parallel one another?—A. Quite.

Q. Rather than correct one another?—A. Quite.

Q. And I subscribe to the theory you have just now cast out, namely that old age security is one of the social responsibilities of the community as a

whole, and it should be on the same level as defence, for instance.—A. May I answer the question this way? We all agreed that in the area of old age pensions we should probably move from our present welfare approach into what might be regarded as a fiscal approach. My own opinion is that in the field of personal taxation where we have a highly graduated personal income tax, we are using a welfare approach to taxation. It may be negative in the sense that income tax exemption does not give anything to anyone; it just does not take taxes from them. In the long run as we move towards a better fiscal organism I think we should get away from the welfare approach that we now take on income taxes. If you read some of the latter pages of my paper you will see some of the suggestions that tend to get away from that idea, and which move toward universal allowances to all people, and, at the same time, toward proportionate taxation rather than progressive taxation.

By Mr. Fleming:

Q. Are we not getting here into the question of a contributory system? If we expect to eliminate the means test on a flat pension I take it you are still, in your thinking, trying to preserve as much of the contributory aspect as possible without setting up an actual insurance scheme?—A. I think all people should contribute something.

Q. And, as far as possible, be conscious of the contribution?—A. I would put that in second place. I think it is more important that all people should contribute than that they should be conscious of contributing.

Mr. SHAW: Mr. Chairman, our time is up, but I was simply going to say—

The CHAIRMAN: Are you asking a question?

Mr. SHAW: I just wish to make a statement.

Mr. BROWN: I move that we adjourn.

Mr. SHAW: I have no objection to asking a question, but have we received a ruling as to these statements and questions and their priority? We have had statements all through our deliberations.

Mr. KNOWLES: Many questions are statements, and many statements are questions.

Mr. MACINNIS: May I draw to your attention the fact that I have been ruled out of order on a question that was a matter of opinion, but nothing has been done here today about matters of opinion.

The question I had to ask concerns a point brought up by Mr. Smith and that is taxation on low income people so that they should feel the impact of the tax. Do you think that low income people can stand the impact of taxation and also the impact of low incomes?

And, if you do not want to answer that, then: is it not an old economic axiom that you cannot tax low income? Low income people cannot pay taxations? That is the way I read the classic economists, anyway.

The WITNESS: Going back to Mr. Knowles' question, I do not subscribe to the view that, because the impact of taxation may be heavy on low income groups, the answer is to relieve those groups of taxation. I think the answer lies in another direction. In other words, the problem of the low income groups is not one that can be solved by relieving them of taxation. You would agree with we would you not?

Mr. KNOWLES: Hear, hear.

Mr. MACINNIS: The incomes would have to be redistributed at the source.

Mr. LAING: Did our 3 per cent B.C. sales tax diminish spending?

Mr. MACINNIS: It diminished the spending for some people; they only had 97 cents—they did not have a dollar.

Mr. SHAW: I was going to say, that in view of the lateness of the hour and, while I think Mr. Anderson has presented his case for the sales tax method of financing with skill and obvious sincerity, I see in it implications that make me shudder—that is in lieu of a great many questions, and in view of the lateness of the hour.

The WITNESS: In theory I favour the approach of contributions based on income but my feeling, as I consider and study it, is that at the present stage there are defects in an income tax approach which tend to make it impracticable.

The CHAIRMAN: Well, gentlemen, Mr. Anderson brought with him two tables on annuities. The first one is from the insurance companies, and of course, the rates that are mentioned are for annuities that imply certain benefits.

The WITNESS: No, there are no death benefits provided for in any of these rates; they are pure annuity rates.

The CHAIRMAN: And the second table is the population table rates. I understand that they are based on the 1931 census.

The WITNESS: Those were done on Grant's table B from the 1931 census. Unfortunately, we did not have available any later monetary tables based upon the population, and I would warn you that on present population mortality the rates would be higher.

Mr. ASHBOURNE: Do they show males and females?

The CHAIRMAN: Yes, separately for every age.

The WITNESS: And they also show retirement at ages 65 and 70, at $40.

The CHAIRMAN: I suggest that this be printed as an appendix to today's proceedings.

Agreed. (See appendix A)

Another document is a copy of the press release containing the recommendations of the United States Senate Committee on bill H.R. 6000. I would suggest that this be also printed as an appendix to today's proceedings. (See appendix B)

And here is a memorandum which was sent to Dr. Davidson by Mr. Mansur of the Central Mortgage and Housing Corporation on the possible uses of National Housing Act facilities in connection with housing for aged persons. (see Appendix C).

I am sorry it is so late because on this question of housing I understand Mr. Anderson has done work here in Ottawa and we would have liked to discuss the possibilities of applying the Housing Act for the aged.

The WITNESS: I had the privilege of working here some years ago, as you know, Mr. Chairman.

The CHAIRMAN: Mr. Anderson, all the members of the committee will join with me most sincerely in thanking you for the information you have given to us. It certainly is going to be very useful. Again may I say that we are especially grateful for the trouble you have gone to in coming here on such short notice.

The WITNESS: Mr. Chairman, I in turn would like to thank you and the committee members for this opportunity of appearing before you. I hope I have

been of some assistance. I would like to reiterate that I have come here as an individual, that I have expressed personal points of view, and that I do not want any of my remarks to be regarded as amplification of either of the briefs that you reviewed this week. After all, those briefs are the joint products of many minds, and it would not be fair for any one contributor to have an advantage over the others.

The CHAIRMAN: Thank you.

—The committee adjourned.

APPENDIX "A"

INSURANCE COMPANY EXAMPLE PREMIUM RATES

Annual Premium for Annuity of $40 Monthly

Age at Purchase	*At Age 70 Male*	*At Age 70 Female*	*At Age 65 Male*	*At Age 65 Female*
20	$ 28.10	$ 38.80	$ 47.30	$ 60.90
30	42.80	58.50	73.40	93.70
40	70.00	94.40	125.00	157.40
50	132.00	173.00	257.00	317.00

Mortality—Standard Annuity 1937 Table.
Interest—$2\frac{3}{4}$ per cent.
Loading—5 per cent of Gross Premium.
Death Benefits—None at any time.

POPULATION TABLE PREMIUM RATES

Annual Premium (payable monthly) for Annuity of $40 Monthly

Age at Purchase	*At Age 70 Male*	*At Age 70 Female*	*At Age 65 Male*	*At Age 65 Female*
20	$ 20.80	$ 23.60	$ 37.50	$ 41.00
30	32.40	36.80	59.60	65.40
40	54.30	61.40	103.50	113.40
50	104.10	116.50	217.00	235.40

Mortality—Grant's 1931 Canadian Census Table B.
Interest—3 per cent.
Loading—Nil.
Death Benefits—None at any time.

APPENDIX "B"

RECOMMENDATIONS OF U.S. SENATE COMMITTEE ON FINANCE RE H.R. 6000

SENATE FINANCE COMMITTEE

Social Security press release No. 2
May 2, 1950

Senator George, Chairman of the Senate Finance Committee which has been considering the House passed Social Security Revision Bill, H.R. 6000, announced today that the Committee has reached agreement on provisions to liberalize benefits and to finance the cost of the Old-Age and Survivors Insurance system.

Previously, Senator George had announced that the Committee had reached agreement on coverage provisions so as to include such major groups as non-farm self-employed other than certain professional workers, regularly employed domestic workers, certain employees of non-profit organizations, and on an elective basis, employees of state and local governments who are not under a retirement system. The Committee action would extend coverage on a compulsory basis to about 7 million persons not now covered by the Old-Age and Survivors Insurance system, and voluntary coverage would be available to about $1\frac{1}{2}$ million State and and local government employees who are not under a retirement system.

The major policy decisions on benefits and financing agreed upon by the Committee are as follows:

I. *Benefit Amounts*

A. Current Beneficiaries

About 2·9 million persons currently receiving Old-Age and Survivors Insurance benefits would have their monthly benefits increased on the average by about 90 per cent. Increases would range from about 60 per cent for highest benefit groups to over 100 per cent for low benefit groups. The average primary benefit of approximately $26 per month for a retired insured worker at present would be increased to about $49.

Present Primary Insurance Benefit	New Primary Insurance Amount
$10	$20
15	31
20	36
25	48
30	56
35	62
40	68
45	72

(Under the House approved bill, benefits for existing beneficiaries would have been increased by only 70 per cent as compared with the 90 per cent under the Committee's action).

B. Future Beneficiaries

An alternative formula is provided for persons retiring in the future which would be applicable to those who have at least six quarters of coverage after 1950. The resulting benefits would be approximately double the average benefits payable under existing law provisions.

1. The Committee's formula is 50 per cent of the first $100 of average monthly wage, plus 15 per cent of the next $150 (based on the maximum wage and tax base of $3,000 per year). For example, for an average monthly wage of $200, the primary benefit would be $65 (50 per cent of the first $100 of average wage, plus 15 per cent of the next $100 of average wage, or $50 plus $15.)

The House approved bill would provide 50 per cent of the first $100 of the average monthly wage plus 10 per cent of the next $200, plus a ½ per cent increase for each year coverage. The amount of benefits would be reduced, however, for those not constantly in covered employment because of the so-called continuation factor in the House-approved bill. Under the Committee's action individual benefit amounts payable in the next decade on the whole would be 110 per cent higher than under existing law, whereas the House-approved bill would result in benefits about 100 per cent higher. As to total benefit disbursements under the system, the Committee's action would result in total payments of about $2 billion in the first year of operation as against $1½ billion under the House-approved bill (and $607 million in 1948-49).

2. The minimum primary benefit under existing law of $10 per month would be increased to $25, as under the House-approved bill, except that for those with very low wages (averaging under $34 per month) the minimum would be $20.

3. As under the House-approved bill, the maximum family benefit under existing law of $85 per month would be increased to $150, but not more than 80% of the average monthly wage of the insured person.

C. Computation of Average Wage

The average wage of an insured worker would be computed the same as under present law, except that if a bigger benefit would result, the individual's

average would be computed over the period following 1950 rather than from 1936 on. In order to have such a "new start" average wage, the individual would have to acquire six quarters of coverage after 1950. The House-approved bill would introduce a new average wage concept basing the average only on years of coverage, but with a continuation factor in the benefit formula to reduce benefits for periods of non-coverage. Under the Committee's action by basing the average monthly wage on the elapsed period after 1936 or 1950, benefits would be reduced for the time an individual was out of covered employment, but in a much less drastic fashion than under the continuation factor in the House-approved bill.

II. *Eligibility for Benefits*

In order to qualify for Old-Age and Survivors Insurance benefits under present law, an individual must have either (*a*) quarters of coverage (by the Committee's action, defined just as in existing law, namely calendar quarters with $50 or more of wages) in one-half of the number of quarters elapsing since 1936 and before age 65 or death, or (*b*) 40 quarters of coverage. Under the Committee's action future eligibility requirements are greatly liberalized by requiring quarters of coverage for only one-half of the number of quarters since 1950 (with a minimum of 6 quarters of coverage required), but such quarters of coverage may include those earned before 1951. Accordingly, any person aged 62 or over on the effective date of the bill would be fully insured for benefits at age 65 if he had at least six quarters of coverage acquired at any time. Persons aged 61 would need eight quarters of coverage; those aged 60, 10 quarters; those aged 59, 12 quarters; those aged 58, 14 quarters; etc., with the maximum requirement for fully insured status never exceeding the 40-quarter provision in existing law.

Not only would this liberalization enable many persons already aged to draw retirement benefits immediately if they have coverage in the past, but also would enable the newly covered groups to qualify much more quickly. As a result, about 500,000 additional persons would be paid benefits in the first year of operation thus reducing the need for public assistance expenditures by the States. The House-approved bill would liberalize eligibility conditions only slightly since the only change in present law was to provide a new alternative requiring at least 20 quarters of coverage in the ten years prior to age 65. Furthermore, that bill would make it more difficult to obtain a quarter of coverage since the present requirement of $50 for a quarter of coverage is raised to $100.

III. *Benefit Category*

The Committee concurred in provisions of the House-approved bill with the following exceptions:

A. Dependents of Women Workers

Under the Committee's action, benefits are payable on a more liberal basis in respect to deaths of insured married women and also in respect to dependent husbands of deceased or retired women workers. Thus, if a woman is currently insured at the time of her death (has 6 quarters of coverage out of the 13-quarter period ending with the quarter of death) her children will be eligible for monthly survivor benefits even though the father of the children is present in the household. Under existing law and the House-approved bill such children would be ineligible for benefits.

B. Wives of Retired Workers

Under the Committee's action these benefits would be payable only as in existing law where the wife must be age 65, whereas in addition under the House-approved bill wives under 65 could draw benefits in the relatively few cases in which they had children in their care.

C. Dependent Parents

The benefit amount is retained at 50 per cent of the primary benefit as in present law rather than being increased to 75 per cent as in the House-approved bill.

D. Lump-Sum Death Payments

The provision of present law is retained so that the payment is made only when no survivor is immediately eligible for monthly benefits. Under the House-approved bill the payment would be made at the death of every insured worker.

E. Permanent and Total Disability Insurance

Under the Committee's action no benefits would be provided for this category just as in existing law, whereas under the House-approved bill such benefits would be provided.

IV. *Limitation on Earnings of Beneficiaries*

The Committee concurred in provisions of H. R. 6000 so that the amount the beneficiary may earn in covered employment without loss of benefits would be increased from $14.99 to $50 per month. After age 75 benefits are payable regardless of amount of earning from employment.

V. *Veterans*

The Committee concurred in provisions of H. R. 6000 granting World War II veterans wage credits under the Old-Age and Survivors Insurance program of $160 per month for the time spent in military or naval service between September 16, 1950 and July 24, 1947 except that under the Committee's action such wage credits would not be provided if the period of service in the armed forces is credited for civil service, military, railroad or any other Federal retirement system. Further, the Committee's action differs from the House-approved bill in that the additional cost of the benefits arising from these wage credits would be borne by the trust fund rather than from the general treasury.

VI. *Financing of Old-Age and Survivors Insurance*

A. Taxable Wage Base

The total annual earnings on which benefits would be computed and contributions paid is retained at the present $3,000 in contrast with the increase to $3,600 under the House-approved bill.

B. Contribution Schedule

Under the Committee's action employers and employees will continue to share equally with the rate on each being as follows:

Calendar Years	*Rate*
1950-55	$1\frac{1}{2}$%
1956-59	2%
1960-64	$2\frac{1}{2}$%
1965-69	3%
1970 and after	$3\frac{1}{4}$%

The self-employed who are covered would pay $1\frac{1}{2}$ times the above rates. (Under the House-approved bill the same schedule would apply except that the increase to 4 per cent would be effective in 1951 instead of 1956.)

SENATE FINANCE COMMITEE

Social Security Press Release No. 3
May 5, 1950.

Senator George, Chairman of the Senate Finance Committee, which has been considering the House-approved Social Security Revision Bill, H. R. 6000, announced today that the Committee has reached final agreement relating to all provisions in the bill.

In addition to the agreements on coverage and benefit provisions as to old-age and survivors insurance, which were released previously, the following policy decisions have been made:

OLD-AGE AND SURVIVORS INSURANCE

I. *Coverage*

A. *Agricultural Workers*—Committee agreed to cover border-line agricultural labor as in the House-approved bill except as to services in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways not owned or operated for profit, used exclusively for supplying water for farming purposes. In addition, Committee covered regularly employed agricultural workers on farms (defined as employed by a single employer for at least sixty days in a calendar quarter period with cash wages of at least $50 for services in the quarter), including "share-croppers" as employees. This provision like all other coverage provisions would be effective January 1, 1951.

B. *Employees of Non-Profit Organizations*—Committee reconsidered its previous action whereby all employees of religious denominations and organizations owned and controlled by a religious denomination would be excluded on a mandatory basis. Under the Committee's final action these employees would continue to be excluded but the religious denomination would be afforded an opportunity to obtain coverage for its employees on a voluntary basis if it is so desired. Ministers and members of religious orders would continue to be excluded on a mandatory basis. Other non-profit employment would be covered on a compulsory basis both as to employers and employees. Under the House-approved bill all non-profit employment would be covered on a compulsory basis as to employees but on a voluntary basis as to employers (if the employer would not pay the tax, the employees would receive only half wage credits).

C. *Federal Civilian Employees Not Under an Existing Retirement System*—Committee concurred in provisions of House-approved bill except that (a) certain policy-making Committee members (who would generally be employed for only short periods) would be excluded and (b) about 100,000 employees serving under temporary appointment pending final determination of eligibility for permanent or indefinite appointment would be covered.

D. *Definition of Employee*—Committee agreed to designate agent-drivers as employees (in addition to its previous action of so designating full-time life insurance salesmen, but otherwise retaining existing law).

II. *Benefit Provisions*

A. *Effective Date*—Committee agreed that changes in benefit provisions should be effective for the second month following the month of enactment.

PUBLIC ASSISTANCE

The Committee's action on the old-age and survivors insurance provisions of the House-approved bill will result in reducing the need for public assistance expenditures. The "new start" in eligibility requirements for old-age and survivors insurance will provide benefits to an additional 500,000 aged individuals in 1951. These individuals would be ineligible for benefits under the House-approved bill requirements. Moreover, all old-age and survivors insurance beneficiaries will be eligible for substantially higher benefits than under existing

law, so that the need for supplementary public assistance payments will be decreased in all States. The Committee is of the opinion that the cost to the Federal Government for public assistance—now running at $1·1 billion a year—should not be increased further by modifying the existing matching formulas and establishing a new State-Federal program as would be provided by the House-approved bill.

Accordingly, the Committee has *not* concurred in the provisions of the House bill which would:

1. increase the Federal share of public assistance expenditures by providing a higher percentage of Federal funds under formulas weighted in favour of those States making low assistance payments and by including the caretaker in aid to dependent children families as a recipient for Federal matching purposes, and
2. establish a program for aid to the permanently and totally disabled, and
3. extend the State-Federal public assistance programs to Puerto Rico and the Virgin Islands.

The other major decisions of the Committee relating to public assistance are as follows:

I. *Old-Age Assistance*

State *supplementary* old-age assistance payments would be shared in by the Federal government only on a 50-50 basis in those cases when a retired worker becomes a primary old-age and survivors insurance beneficiary after the effective date of the bill. Thus, the maximum Federal share in these cases would be $25. Under existing law the Federal Government provides three-fourths of the first $20 and one-half of the balance of an assistance payment within $50 maximums or $30 if State provides $20 in all instances.

II. *Aid to Dependent Children*

In order to assist the States to improve this program the maximum payments in which the Federal government would share are increased from $27 to $30 per month for the first child and from $18 to $20 for each additional child in a family. Thus the maximum Federal funds are increased from $16.50 to $18 for the first child and from $12 to $13 for each additional child.

III. *Aid to the Blind*

Beginning July 1951 all States administering Federally approved aid to the blind programs would be required to disregard *earned income*, up to $50 per month, of claimants of aid to the blind in determining eligibility for and the amount of aid. Prior to July 1951 the exemption of earnings is discretionary with each State. Thus the State legislatures will be afforded an opportunity to make any necessary changes in their aid to the blind laws to conform to the new Federal requirement.

Under the House-approved bill the exemption of earnings for and to the blind claimants was not mandatory on the States.

IV. *Direct Payment for Medical Care*

The Committee concurred in the provisions of the House-approved bill under which States would be authorized to make direct payments to doctors or others furnishing medical care, except to add technical amendments, to make it clear that the States would be authorized to make direct payments to anyone providing recipients with remedial care as authorized under State laws.

Under existing law the Federal government does not participate in the cost of medical care for recipients unless payments for such care is made directly to recipients.

V. *Medical Institutions*

The Committee concurred in the provisions of the House-approved bill under which the Federal government would share in the costs incurred by the States in furnishing assistance to the needy aged and blind recipients in public medical institutions. Existing law limits Federal participation to recipients residing in private institutions.

SERVICE PROGRAMS FOR CHILDREN

The House-approved bill would increase Federal grants to States for child welfare services in rural areas or other areas of special need from \$3½ million per year to \$7 million. The House-approved bill would not alter the Federal grants for the other two service programs provided for in Title V of the Social Security Act, i.e. Maternal and Child Health, and Crippled Children Services.

I. *Child Welfare Services*

To assist the States to strengthen and improve the Federal-State cooperative programs for services to neglected children and children in danger of becoming delinquent, the Committee agreed to increase the authorization for child welfare services from the \$7 million per year authorized in the House-approved bill to \$12 million.

II. *Maternal and Child Health Services*

To assist the States to extend and improve their programs to promote better health for mothers and children, the Committee agreed to increase the authorization for Federal grants from the \$11 million per year in existing law to \$20 million.

III. *Services for Crippled Children*

To assist the States to reduce the number of crippled children now awaiting medical, surgical, or other necessary service, the Committee agreed to increase the authorization for Federal grants from the \$7½ million per year in existing law to \$15 million.

COSTS OF CHANGES IN PUBLIC ASSISTANCE AND SERVICE PROGRAMS TO CHILDREN

It is estimated that under the House-approved bill the additional cost to the Federal government for public assistance and child welfare service would be \$275 million annually. Under the Committee's action this additional cost would be reduced to \$45 million of which \$25 million would be for the service programs for children and practically all of the balance for assistance payments to dependent children.

APPENDIX "C"

POSSIBLE USES OF NATIONAL HOUSING ACT FACILITIES IN CONNECTION WITH HOUSING FOR AGED PERSONS

This memorandum is written in an attempt to answer the question "How may existing provisions of The National Housing Act, 1944, as amended best be implemented to provide a supply of rental housing suitable to the requirements of and within the economic reach of aged persons?" It assumes that to meet the need fully there is required a supply of housing reserved exclusively for such class of persons, designed to meet their physical needs and carrying a rental, either economic or subsidized, which is within their ability to pay.

Seciton 9 of The National Housing Act has already been applied to provide such housing in Burlington, Ontario, and in Vancouver, British Columbia. This Section permits loans by Central Mortgage and Housing Corporation to limited dividend companies; i. e., those willing to limit the return on their investment to 5% or less, in amounts up to 90% of the lending value of the housing project. Interest on such loans is at 3% per annum and repayment may be made, depending on the type of construction, over a period as long as fifty years. Under this Section housing so produced may be designated for lease to specific classes and could be reserved for aged persons, with or without income limitation.

Such a limited dividend corporation, which would be incorporated under the applicable Provincial Companies Act, might be composed of public spirited citizens or representatives of one or more service clubs or charitable institutions. A good example of the efficacy of this Section has been provided by the Burlington Housing Corporation, a limited dividend company formed to provide housing accommodation for old age pensioners, widows receiving Mothers' Allowances and veterans with a partial pension. The details of this project are summarized in the pamphlet L/D7 attached. Except to the extent that such limited dividend corporation has assets which will permit an annual loss, direct rental subsidy is not obtainable to projects constructed under this Section.

Low rental housing projects could be built under the provisions of Section 35, provided an agreement to that effect is reached between the Provincial and Federal governments. The capital cost of such a project must be shared 25% by the Provincial government and 75% by the Federal government. Rental on such projects may be either economic or sub-economic assisted by a Rent Reduction Fund in the form of a loss on the project. Such a loss would also be shared by the two governments in the same ratio. British Columbia, Ontario, Quebec, New Brunswick and Newfoundland have all passed legislation permitting their governments to enter into such agreements.

To be most effective in aiding aged people, lessees in a project constructed under this Section would have to be restricted to such class. The National Housing Act itself does not apply any restriction on the classes or groups of people for whom rental housing may be constructed. We have no knowledge at the present time as to whether the Federal government would be prepared to participate with a Province in housing projects where the tenants are restricted within such a special group. In this respect, it may be noteworthy that in his statement to the House of Commons on September 21 last the Honourable R. H. Winters suggested that the government would in an appropriate instance be prepared to proceed with projects carrying a veterans' preference. Likewise we have no knowledge whether any of the Provincial governments would consider the construction of rental housing projects which were restricted exclusively to aged persons

Both The National Housing Act and the respective Provincial statutes complementing it have, however, opened the possibility for consideration of this question by Provincial and Federal governments. If rental projects carrying such restrictions are acceptable, they could under the existing legislation be subsidized to any extent necessary to bring them within rental levels compatible with the income of old age pensioners.

L/D 7

Published by

CENTRAL MORTGAGE AND HOUSING CORPORATION

With building costs at a high level, most Canadian municipalities are finding it increasingly difficult to meet demands for rental accommodation by families in the lower income groups. But the provision of low-rental housing, even in face of today's high construction costs, is not impossible. This fact has been well demonstrated in the town of Burlington, Ontario, where L/D 7, Canada's first apartment project to be constructed under the limited-dividend section of the National Housing Act, is ready for occupancy.

Known as the Brant Court Apartments, the three-storey brick building was constructed exclusively as low-rental accommodation for Old Age Pensioners, widows receiving a Mothers' Allowance and veterans with a partial pension. The building comprises six four-room units and two three-room suites which are to be rented for $21 and $16 per month respectively.

Of modern design and built almost entirely of masonry, the apartment building is situated on Burlington's main thoroughfare in a rapidly expanding section of the town. Two large apartments and one of the small units are located on each of the second and third floors while, in the basement, a compact, up-to-date furnace room replaces the three-room apartment.

Appropriate only to those sections of the country where winters are not too severe, the Brant Court Apartments are of hollow-wall consruction—four inches of brick, a two-inch air space and eight inches of cinder block plastered on the interior. Reinforced concrete floors are finished in mastic tile of a different colour for each room.

The apartments are hot water heated and are arranged to assure a maximum amount of privacy. Each is equipped with all modern facilities to achieve living comfort. Ample storage space has been provided in both the three and four-room apartments, which differ only in one respect. In the smaller units, the living room and bedroom have been combined into a single large room. Bathrooms are completely finished in tile and have built-in bathtubs.

The kitchen arrangement leaves nothing to be desired. Each has been generously provided with cupboards and working space and refrigerators have been installed. Laundry is done in the kitchen where dual-purpose sinks are divided into two sections to serve for both laundry and regular kitchen work.

Completion of the Brant Court Apartments is the realization of a combined effort of Burlington's town council, public-spirited citizens and welfare organizations to build a low-rental project to help relieve the need for such accommodation in the municipality.

The Burlington Housing Corporation was incorporated in April, 1946, to obtain financial assistance under section 9 of the National Housing Act to construct the proposed apartments.

This section of the Act provides for loans to limited-dividend companies undertaking the construction of low-rental projects in areas where such

accommodation is required. Such loans may be for 90 per cent of the lending value of the projects with an interest rate of 3 per cent. Dividends of the company owning the property are limited to 5 per cent of its investment.

When plans of the new building were completed and an option taken on a good location for the apartments, negotiations were opened with Central Mortgage and Housing Corporation to complete the necessary financial arrangements.

Total cost of the structure was estimated at $32,000 of which $28,800, on approval of the Burlington Housing Corporation's loan application, was furnished by Central Mortgage and Housing Corporation. This meant that the equity required would amount to $3,200 which, under ordinary circumstances, would be repayable together with interest limited to 5 per cent per annum.

To finance the equity in this instance, donations were received from town council, service clubs, the local branch of the Canadian Legion and public-spirited citizens. This form of assistance permitted a reduction in the rents to be charged because return of neither the capital sum of the equity nor interest thereon is contemplated.

Besides financing a substantial proportion of the equity required, Burlington town council has also assisted the Burlington Housing Corporation to keep rents at the lowest possible figure by fixing the municipal taxes on the project at $100 annually. If normal taxes were levied on the apartment's assessed value, rentals would be greater than their present low level.

In view of the town council's assistance, the Burlington Housing Corporation will turn the project over to the municipality, free of encumbrances, when the NHA mortgage has been repaid.

Directors of the Corporation, which include representatives of town council, service clubs and Mr. Hughes Cleaver, M.P. for Halton and sponsor of the project, give their services without fee or remuneration.

Plans are already under discussion for the construction of two more buildings similar to the Brant Court Apartments.

"With these additional apartments", states Mr. Cleaver, "suitable accommodation could be provided for all Burlington's Old Age Pensioners, widows receiving a Mothers' Allowance and veterans with a partial pension".

"Any little town could do what Burlington has done to overcome its need for low-rental housing", according to Mr. Hughes Cleaver, M.P. for Halton. Mr. Cleaver formulated Burlington's plan to build the Brant Court Apartments.

The Burlington Housing Corporation was formed in April, 1946, to finance the project under the provisions of Section 9 of the National Housing Act. Town council and each of the organizations which assisted financially in constructing the new apartments appointed their representatives to serve as directors of the Corporation.

The present directors, all of whom are serving without remuneration, are: Mayor E. R. Leather and Councillor W. H. Armstrong, representing the town council; G. R. Harris and Frank Milne of the Lions Club; C. E. Gates, a member of the Burlington Branch of the Canadian Legion, and Mr. Cleaver.

Construction of the building by sub-contract was started in the summer of 1946, but, owing to shortages of both labour and materials, the building was not completed until December, 1947. Realizing the importance of such a project to the community, several of the contractors quoted non-profit prices for their particular jobs.

Mr. Cleaver believes that suites in the Brant Court Apartments could be reduced to $5 a month when the National Housing Act loan has been paid, providing that the building is tax free.

Janitor services at the Brant Court Apartments will be carried out by one of the Old Age Pensioners residing in the building, who will in return, receive a $10 reduction in his monthly rent instead of payment.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 22

TUESDAY, MAY 23, 1950

WITNESS:

Mr. J. A. Marion, President, *L'Union Catholique des Cultivateurs* (Catholic Union of Farmers), Montreal, P. Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

Tuesday, May 23, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Horner, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Brown *(Essex West)*, Corry, Cote *(Verdun-La Salle)*, Courtemanche, Croll, Ferrie, Fleming, Knowles, Laing, Pinard, Shaw, Smith *(Queens-Shelburne)*, Welbourn.

In attendance: Mr. J. A. Marion, President, The Catholic Union of Farmers *(L'Union Catholique des Cultivateurs)*; Dr. G. F. Davidson, Deputy Minister of Welfare and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

The Chairman introduced Mr. Marion in French. Mr. Marion then presented a brief on behalf of his Association which brief was taken as read and appears in this day's Minutes of Evidence.

Examination of Mr. Marion followed.

In the course of proceedings Dr. Davidson also answered questions.

At 5.45 p.m. witness retired and the committee adjourned until Wednesday, May 24, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

62975—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
TUESDAY, May 23, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

Le PRÉSIDENT: Messieurs, nous avons comme témoin cet après-midi M. J. A. Marion, le président général de l'Union catholique des cultivateurs.

Monsieur Marion, vous pouvez être assuré que les membres du Comité se joignent à moi pour vous remercier sincèrement du travail que vous vous êtes imposé en vue de préparer un mémoire pour le bénéfice des membres du Comité et du fait que vous avez bien voulu consentir à venir, cet après-midi, traiter des pensions de vieillesse et de plus pour répondre aux questions que les membres du Comité voudront sans doute vous poser. Il n'y a pas de doute que votre expérience et que vos connaissances seront très utiles aux membres du Comité dans l'étude qu'ils ont à faire et principalement dans la tâche difficile de préparer un rapport.

(See Appendix for English translation)

Mr. Marion, I understand that you wish to make a short statement before the members of the committee are called upon to ask you questions.

Mr. J. -A. Marion, General President, The Catholic Union of Farmers, called:

Le TÉMOIN: Monsieur le président, je désire vous remercier des bonnes paroles que vous avez eues à mon endroit et vous assurer ensuite que c'est un plaisir et un honneur pour nous de pouvoir dire quelques mots, ici, au sujet d'un problème qui devient de plus en plus intéressant pour toute la population et auquel nous avons accordé une certaine considération, surtout depuis les deux ou trois dernières années.

(See Appendix for English translation)

Mr. Chairman, in case a few members of the committee would understand my poor English better than they do my poor French, may I be permitted to switch over, if I may call it that, from French to English?

The CHAIRMAN: Yes, Mr. Marion.

The WITNESS: It is indeed an honour and a pleasure to be called upon to come before you to testify and to submit this short brief. I may say at the very beginning that our consideration was first and foremost for the group that I represent here today, namely, the farmers of the province of Quebec, and, I believe, all of eastern Canada, because we live under somewhat the same conditions. This brief is really sketchy; it is as short as it could possibly be made, but if the members of your committee, Mr. Chairman, wish me to do so, I will endeavour to answer the questions that may be put to me to the

best of my ability. It might be thought that myself and those who are playing a leading role in our Quebec farmers group belong to a past era, to an age that has gone by. In the years gone by it used to be that in our youth we were concerned with doing for ourselves what we thought was best for our old age, but that does not seem to be the case any longer. May I at the outset, Mr. Chairman, make this statement, and it may throw some kind of a sidelight on some of the answers that I may give to questions put here today. During the last ten years we have endeavoured to the best of our ability to get the best prices we could for products the farmers produce, but at the same time we certainly spent much time and much money trying to tell our farmers what they should do with the money they received, with the result that we today have a little over $200 million,—as a matter of fact $225 million—in what we call our Caisses Populaires, or as they are called, credit unions, and most of that money is rural money. In doing this we thought we were creating some kind of an old age security.

Mr. Laing: Mr. Chairman, would the witness repeat the figure?

The Witness: $225 million. It may vary between $220 million and $225, but it is well over the $200 million mark.

Mr. Croll: Mr. Chairman, would you tell the witness that is just about the money we need right now; we are short that exact amount right now and we are very glad to see him?

The Witness: I must say in answering the suggestion made that we do hold over $40 million worth of federal government bonds. We thought we were creating some kind of social security in doing that work, and I think we would feel unhappy if people are led to believe that they can expect the government to supply them with whatever they may require as they get older, and quit the habit of trying to provide for themselves.

That is the background of my feeling. Now, Mr. Chairman, the best I can do I think is to place myself in the hands of the committee and answer any questions that may be suggested by the short brief that is before you.

Brief Submitted By

L'UNION CATHOLIQUE DES CULTIVATEURS
(Catholic Union of Farmers)

We have learned with pleasure of the decision of the Canadian Government to have a Committee composed of members of both Houses of Parliament study present federal and provincial legislation with regard to Old Age Security. We are aware of the great advantages of the present legislation for our indigent old people. We believe however that it is possible to amend the pension plan in certain ways which might contribute to improved conditions of economic security for our old people. We are therefore asking permission to thank the Government for the attention which it gives to the situation of old people and to express to the members of the Committee our appreciation for the permission which has been granted to us to bring forward our opinions on this subject.

The Catholic Union of Farmers of the Province of Quebec is the professional association of French-speaking farmers of that province. In that capacity, it believes that it is expressing the average opinion of the agricultural rural population of Quebec.

Our members have given this problem of old age pensions constant attention. Their requests and suggestions are numerous. However, many of them deal with the administration of the pension plan and we do not consider that we should discuss here that part of the application of the security program which comes under provincial control. The present outline will be restricted to a few basic

principles which are, or may eventually be, sanctioned by legislation of this Parliament after joint study, if our understanding is correct, with the provincial authorities.

The Mimimum Age

The present Act provides for people aged 70 and over who, for one reason or another, have been unable to ensure for themselves an old age free from material worries. On this point we believe that the age limit is too high and that it should be lowered to 65. The following are the reasons which in our opinion justify this change:

(*a*) Many persons over 65 but under 70 years of age find it impossible to obtain sufficient income to lead a decent existence. Either because physical weariness is already felt or because they find it harder to get employment these persons become dependent upon their children or other persons who do not always have, far from it, the financial resources which would permit them to accept cheerfully the responsibility of giving room and board to one more person. Accordingly such old workers must live two, three or five years in dire hardship before having a little comfort.

(*b*) That which is true of the industrial worker is true also of the farmer. In an earlier day the conditions of agricultural work and the general situation of rural economy would permit a farmer to exercise his profession to a fairly advanced age. Today, more intensive farming methods, a greater mechanization and different conditions of living bring weariness to man sooner and it is not seldom that a man of 65 feels the need to cease the operation of his farm. If he has one or two sons to establish, if he does not find a buyer for his farm, or if the sale of his undertaking brings insufficient capital, he stands near indigence and yet he will have wait a few years before receiving his pension.

During the last decade farm labour was far from being in abundant supply. This situation required from farm workers a physical output which was greater than would obtain normally. Many of them who have not yet reached the age of 70 are unable to pursue their tasks and must now try to last a few years yet before taking a necessary and well-earned rest.

It appears to us that the state should take into account the change in material conditions of human living and that those who can no longer honourably earn their living at the age of 65 should receive help from the state.

Variability of Pension Rates

Regarding the rate of pension granted to beneficiaries we hope that the state will always make it a point of duty to grant a sum which has some relation to the cost of living. Until now, the amount of the pension has always been on the increase, from $240 yearly in 1927 to $480. We entirely approve the principle of setting the pension rate according to the cost of living level. And we hope that this variability will be flexible enough to prevent the pensioners suffering from the vagaries of dollar purchasing power.

The Means Test

We understand that the means test of the prospective pensioner is the fundamental feature of our present system of old age pensions. In practice this is equivalent to a proof of indigence and it is often considered that the pensioner's cheque is a certificate of poverty. The members of the Committee are certainly aware of all the criticism that this provision of the Act has created. We recognize however the attempts made on a few occasions to ease the regulations with regard to the means test.

In the farming communities of Quebec, as elsewhere no doubt, there are many persons who are asking for the absolute abolition of that eligibility requirement. It is evident that the eligibility for pension and consequently the administration of the plan would thereby be simplified. But, on the other hand, we are wondering whether this represents the true spirit of a security program, and whether the extent of public resources, especially of provincial governments, would justify the increase in expenditure resulting from the payment of pensions without a means test. We regret having been unable to give much attention to that aspect of the problem. For the present we shall be content with making the following suggestion:

We assume that the means test will remain one of the conditions of eligibility for pension. In that case we believe that we are justified in suggesting a broadening of the regulations in force up to the present. In connection with the situation of the farmer who has reached the minimum age, say 65, we believe that he should be conceded the right to hold personal assets to a value of $10,000, alone or jointly with his wife if he is married, and to withdraw all income therefrom without the pension rate being affected. Such a provision in the regulations would eliminate many procedures, complications and disappointments. The farmer would thus preserve the means to help in the agricultural establishment of his children even after his admission to pension benefits, and the state would recognize up to a certain point the reward due for persevering efforts and the rough frugality of rural life. In order to receive the full pension it happens often that the old farmer must sell his property too rapidly and in such conditions he loses part of the gain acquired by work and thrift, the merit of which should certainly be recognized. To be acceptable must a governmental old age pension scheme discourage thrift?

Compulsory and Universal Contributory Plan

We have very often heard the opinion that the pension should be paid at whatever minimum age is set and also at a higher rate. To justify such considerable public expenditure, many admit the principle of a plan which would involve an individual, compulsory and universal contribution. Without being opposed to the principle of such a system, we believe that we should point out the numerous difficulties which it would create for farm workers. In the case of industrial or business workers, it would be relatively easy to deduct this compulsory contribution at the source of wages or salaries. The situation is different for the farm worker. The difficulty in arriving at an exact assessment of the net farm income, the instability of such income, the complications with regard to the verification of farmers' returns and the collection of contributions, etc., would not make an easy task, far from it. At any rate, a system which would involve the payment of a compulsory contribution appears to us very hard to accept by farmers and very difficult to apply.

That is why we are asking whether it would not be possible to establish a system involving a minimum basic pension for all eligible applicants and a voluntary pension for whoever wishes to receive a higher pension and who does not have an income which would enable him to purchase annuities from private institutions. When making this suggestion we believe that the government should study the possibility of combining its present annuities system with old age pensions while trying to lower the cost of its annuities to place them within the reach of the great majority. And we see absolutely no reason why the state should not encourage voluntary contributions by paying out of its own funds part of the purchase cost of annuities so acquired by citizens. The state would then effectively play its role which consists in aiding individual effort and, on the other hand, it would help create among the citizens the taste and practice of thrift, a virtue which contributes in developing in the citizen a sense of individual responsibility and which always constitutes

an excellent token of social stability. We are of the opinion that such a plan would meet with the approval of all farmers who wish to obtain a pension above the minimum rate or basic pension payable to all needy persons.

We realize fully that this suggestion will appear daring to many persons. It will certainly surprise those who support the idea of paying the pension indiscriminately to all, and those who support the view of a universal compulsory contribution. Indeed, in practice, it is doubtful that the first proposition could be possible of application without the other. We believe that we are suggesting a fair middle-of-the-way policy. We wish to avoid leading citizens to believe that they can always get everything from the state without ever paying anything to it in return.

In short, we are suggesting the lowering of the minimum age from 70 to 65, the adjustment of the pension rate to meet variations in the purchasing power of the dollar, the broadening of the regulations governing the means test, a minimum pension plan accessible to all who really need it, and plan of low cost annuities subsidized by the federal and provincial governments.

In closing, allow us to express our approval of the federal-provincial co-operation in the application of the Canadian old age security program. We believe that we are interpreting exactly the spirit of the Canadian Constitution and proposing a sound administration of pensions when formulating the wish that the provinces remain the administrators of the program, each one attempting in its own jurisdiction to adapt it to the mentality and to the economic and social conditions of its environment.

J. A. MARION.

General President
The Catholic Union of Farmers

Montreal, May 13, 1950.

Mr. LAING: Mr. Chairman, I would like—

The CHAIRMAN: Could I first propose that questions be asked in general on the organization of the union of farmers, that is the introductory part on the first page of the brief, then we could divide the questioning into the following sections, if it is agreeable to the members. First, the minimum age—well, under the headings that are there now—second, variability of pension rates; third, the means test; fourth, compulsory and universal contributory plan.

Now, questions are in order on the introductory part, Mr. Laing.

Mr. LAING: I would like to have, Mr. Chairman, some idea of the number of farmers in the organization. I would like to know if the Catholic Union of Farmers enjoys any association whatsoever with the Canadian Federation of Agriculture and if not, is it the counterpart within Quebec of the Canadian Federation of Agriculture?

The WITNESS: The actual number of members are a little over 38,000, dues-paying members. Our relationship with the Canadian Federation is that I am vice-president of the Canadian Federation and have been for the last eight years.

The CHAIRMAN: But there is no link between the two.

The WITNESS: We are affiliated with them and pay yearly a few thousand dollars into the fund of C.F.A., Canadian Federation of Agriculture, and I am the vice-president of the Canadian Federation.

Mr. BROWN: Could I ask a question in connection with the fund of $225 million you have built up in the credit unions of the farmers?

The CHAIRMAN: It is not a credit union only of the farmers.

Mr. BROWN: Well, it is in credit unions.

The CHAIRMAN: Yes.

By Mr. Brown:

Q. As you say, you thought it would be built up for an old age pension, some security for your older years. Now, could you tell me how you proposed to pay out benefits through that, or is it just a means of saving and deriving dividends.—A. No, no, they are individual savings that can be used and withdrawn by a member when and as he sees fit. What I mean by that is that if a man has a few thousand dollars—

Q. He puts it into the credit unions.—A. —of his own money he has some kind of a shock absorber.

Q. It is a savings program.—A. That is what it is, a savings plan.

By Mr. Shaw:

Q. How many farmers are there in the province of Quebec?—A. That is a debatable question. Some say 150,000 but there are not more than 110,000 who are really farmers.

Q. I was just trying to determine the relationship between your membership and the total.

By Mr. Croll:

Q. May I ask a question, for information? This has nothing at all to do with this subject at all He said he had 38,000 dues-paying members.—A. That is right.

Q. Have you a statute in Quebec similar to the statute in Ontario where the municipality levies for you?—A. No, sir, every man pays his own money and knows he is a member.

Mr. Brown: And does it on a voluntary basis?

The Witness: Yes.

By Mr. Brooks:

Q. Mr. Marion, I would like to ask you a question.—Do you think that if there was a universal old age pension it would take away from these people the idea that they have of thrift, and that they still would not accumulate these funds which they have at the present time?—A. Are you asking me for my own personal opinion or for that of the group?

Q. For your own personal opinion. My idea would be that those funds would assist. No old age pension is sufficient for the purpose for which we have it, and they would be a supplement.—A. I hesitate to answer your question. But if I had had the feeling when I was a youngster that someone was going to provide for me in the years to come, I would have felt a bit less inclined to do so myself. I may be wrong in that opinion.

Q. It is a fine old fashioned idea that is held by a good many people.

By the Chairman:

Q. Do you have in mind, when saying that, Mr. Marion, that you object to a government minimum pension?—A. No, sir, not by any means, no! The country has become so highly industrialized, and there are so many wage earners who are not in a position, I believe, to provide for their old age, that something has to be done undoubtedly.

By Hon. Mrs. Fallis:

Q. I would like to ask the witness, based upon that remark: do you think it is easier for farmers to accumulate for their old age than it is for industrial workers?—A. Do you want an honest answer?

Q. Yes.—A. It is no easier, but we are more used to hardships and to depriving ourselves of things that we think might be useful, but which we go without.

Q. Speaking as one farmer to another, do you not think that farmers concentrate upon essential things, while city people tend to let their money dissipate into the thin air?—A. That is it!

Mr. BROWN: I think there may be quite a question there.

The Hon. Mrs. FALLIS: I have got to get in a plug for the farmers some time.

Mr. BROWN: I do not agree with it; but that is neither here nor there.

The CHAIRMAN: Shall we go on with the heading "The Minimum Age"? Are there any questions?

By Mr. Fleming:

Q. I gathered from your brief that you think that the reduction in the pensionable age from 70 to 65 is a more urgent matter than complete elimination of the means test?—A. That was the feeling of all the members of the union that I could contact. That was the first thing they mentioned, the lowering of the age of eligibility.

By Mr. Shaw:

Q. Might I ask the witness if in his opinion it is more difficult for a farmer today to remain active in his occupation than it was in previous years, let us say, after he is 65 years of age?—A. I think the answer would be yes.

Q. Would you elaborate upon that, please?—A. It may be only due to the present circumstances, but the fact remains, sir, that through these last eight, nine, or ten years our farmers have been called upon to expand their efforts to a greater and to a higher degree than previous to the war. We worked a great deal harder than we ever did before.

Q. You attribute the present state of affairs to conditions associated with the war and the absence of younger people?—A. That could be one of the reasons why this reaction exists at the present time.

By the Chairman:

Q. Do you mean also the absence of help, and farm labour?—A. Of course, that contributed to it. That was one of the factors which called upon the farmers to do more work and to make a greater effort. They could not get any help. So the older people wore themselves out.

By Mr. Fleming:

Q. That, of course, applies to a great many people, and not to the farmers only.

The WITNESS: Mr. Chairman, I may have been wrong, but I thought that other groups would represent their own people. So I am mostly concerned with our group.

By Mr. Fleming:

Q. We are concerned about this matter of age for all groups, and as you put it on that basis, Mr. Marion, I take it that what you are saying is intended to be applied to all groups in the community?—A. That is the way I feel about it, sir.

By Mr. Shaw:

Q. I am particularly interested in the reference at the bottom of the page where the witness states that:

> "Today, more intensive farming methods, a greater mechanization and different conditions of living bring weariness to man sooner and it is not seldom that a man of 65 feels the need to cease the operation of his farm."

Forgetting war conditions for a moment, those are fixed convictions in your mind, are they not?—A. Yes, sir.

Q. Based upon your own experience?—A. Yes. In other words, it is hard to teach an old dog new tricks. And with farms being mechanized the way they are, a lot of old people feel they cannot carry on when they come to work under present conditions.

Q. You are speaking of those who are aged at the present time?—A. I am.

Q. Would you also believe that that is likely to be true, let us say, ten to fifteen years from now?—A. I am not as certain.

Mr. Brooks: When the young dogs become old dogs.

By Mr. Shaw:

Q. I mentioned that only because the general feeling among a great many people seems to be quite to the contrary, and that modern methods have made it easier for people to remain in that occupation longer. I have heard that opinion expressed very many times.—A. This may or may not be in order, but my son makes his tractor do anything he wants it to do; but it won't do it for me.

The Chairman: I believe that is the answer.

By Mr. Laing:

Q. I wonder if Mr. Marion could give us some idea of the size of the farms represented by the 38,000 members? For example, could we have the average acreage and the outside limits, that is, the smallest farm and the largest farm? I assume that most of them are mixed farms?—A. They are all, with very few exceptions. And the average size would be about 125 acres, I would say.

Q. And the outside limit would be probably from 20 to 30 acres?—A. Quite a few farms have 50 acres; some odd ones have two or three hundred acres; but the average would be very near to 125 acres.

Mr. Laing: Thank you.

By Mr. Brooks:

Q. What would be the average income from a 125 acre farm?—A. My goodness!

Mr. Brown: Do you mean taxable income or otherwise?

The Chairman: The average income in 1947 according to the Dominion Bureau of Statistics figures for the farmers of Quebec was around $1,400 per year, income both in cash and in kind, net income.

Hon. Mr. Farquhar: Is that the average for the province of Quebec?

The Chairman: The average for the province of Quebec was $1,400 net income, both in cash and in kind.

Mr. Shaw: Would that go so far as to include production consumed on the farm?

The Chairman: Yes, it does.

Mr. LAING: Would that average take in all the farms including those which are not represented in this group?

The CHAIRMAN: Yes. It includes all the farmers.

Mr. FERRIE: That hardly corresponds with right thinking, does it. You can hardly take 125 acres as an average farm when you are only producing about $12 an acre.

The WITNESS: The type of farm in the province of Quebec is not the same as in Saskatchewan, and the net income in Saskatchewan was $2,300 per year.

Mr. FERRIE: That may be for income tax purposes.

The CHAIRMAN: Those are D.B.S. figures.

Mr. LAING: The number of residents on each farm enter into the calculations, and it is much higher in Quebec than in the western provinces. As a matter of fact you have an opposite situation between western farms and Quebec farms considering the population sustained per farm.

By the Chairman:

Q. Mr. Marion, do you agree that generally speaking in Canada more than half of the people of 65 years of age and over are still in a position to work?—A. I would think so.

Q. You would not agree to award a pension to everyone 65 years of age and over?—A. Not unless they asked for it.

Q. Individually, you mean?—A. Yes.

Mr. SHAW: The witness would not make that "test", would he? He gave us the answer they would not get it unless they asked for it, and I am asking him if he would make that "test".

The WITNESS: Would that imply the means test?

Mr. SHAW: That is it.

The WITNESS: The least they could do is ask for it.

Hon. Mrs. FALLIS: You mean to apply the means test to people of 65?

The WITNESS: No, I have not make that statement; I did not mean to if I did, but I would say the least that should be required of people of 65 years and over would be that they ask for the pension before it could be awarded to them.

By Mr. Brown:

Q. Would not everyone ask for it if they knew they could have it?—A. I do not think they would unless there was some means of recuperating the pension from those who have sufficient means to live without the pension.

Q. Would the means test apply to everybody?—A. Not precisely, that is not what I had in mind. I meant to say if the income tax was so arranged that when you applied for a pension you would be called upon to pay it back through income tax, people would be less likely to ask for it.

The CHAIRMAN: If he had a certain amount of income, you mean?

The WITNESS: Yes.

Mr. LAING: I think we should be fair to the witness. In his brief it is assumed that the means test will remain one of the conditions of eligibility for pension.

The CHAIRMAN: Yes, I think the members of the committee should bear in mind that in the brief it is assumed the means test would be kept.

Mr. FLEMING: The modified means test, not the present means test.

The WITNESS: No.

The CHAIRMAN: It says here:

> In connection with the situation of the farmer who has reached the minimum age, say 65, we believe that he should be conceded the right to

> hold personal assets to a value of $10,000, alone or jointly with his wife if he is married, and to withdraw all income therefrom without the pension rate being affected.

In other words, if he had assets of $10,000.

Mr. Brown: Assets of $10,000, and below $10,000 he would be entitled to a pension.

By the Chairman:

Q. What about the income ceiling; the income ceiling now under the present means test is $600 for single people, and $1,080 for married people. Would you increase that income ceiling?—A. I certainly would if I were to judge the case myself.

Q. To what extent would you do it?—A. Under present circumstances, with the dollar value being what it is, it could be doubled.

Q. Doubled?—A. Yes.

Q. Are you not afraid, Mr. Marion, that if we doubled the income ceiling and put the assets ceiling at $10,000, the cost of pensions under such a scheme woud be very near the cost of paying universal no means test pensions with some sort of mechanism for recovery through income tax?—A. That was not figured out down to the last detail and the general opinion was that those who are in receipt of a pension should not necessarily be beggars or suffering from actual poverty. That was our feeling, and that those who receive a pension should be in a position to live at least decently.

Mr. Brown: Having in mind that the average income of the Quebec farmer is $1,400 a year, and having in mind too that Quebec families are rather large as a rule, and having in mind that he would have to have assets of $10,000 before being disqualified for a pension, how many farmers would you say in the province of Quebec are worth $10,000?

The Witness: Not as many, Mr. Chairman, as I would like. Now, might I explain what this is; it seems almost a conundrum. This idea of $10,000 was put in there because our families are large. In my case it is not a family, it is a tribe.

By the Chairman:

Q. How many?—A. Well, twelve of the first growth, and twenty-one of the second growth, and a lot more coming. We are just getting under way. I beg your pardon, hon. members of the committee, because if I were speaking in French I could testify much more easily. However, you get the idea of what I mean. Now, there are families of four, five, six, seven, eight and nine boys, and when the farmer owns $10,000, and gets to the time when he will divide that property amongst his children he does it in an undue hurry. He should be left with the right to live with his pension for a while and still remain the boss of the tribe, the patriarch, I guess you would call it, until such time as he can distribute that money to his children. In order to get around the present conditions of the pension plan I have known farmers to get rid of the property which they should not have got rid of and to deprive their children of benefits they were really entitled to. They are really entitled to it, so if this man was allowed a pension, and the old gentleman came to his pension age, then the property would be distributed fairly amongst the children. That was the idea.

Q. I understand that it is an old custom that farms are transmitted from father to son.—A. They are. Under the present system if the farmer does not transmit his farm to his son or sons a few years before he reaches 70, he is not entitled to a pension, or is entitled to only a small part of it.

Mr. Ferrie: How many years?

The CHAIRMAN: Is it five years, Dr. Davidson?

Dr. DAVIDSON: Five years.

The CHAIRMAN: That is regulation applying throughout Canada. You have the same thing in Saskatchewan, Mr. Ferrie.

By Mr. Fleming:

Q. If I understand you, you say in effect that the way the means test is worked out now it is having a very unfortunate social effect on the Quebec family as these people approach the age of 70?—A. This is right.

Q. Now, you do not advocate the complete abolition of the means test. As I understand it you are advocating relaxation of it, which would involve double the permissible income without diminution of the pension; is that correct?—A. Well, Mr. Chairman, if that can be eliminated and the money still found to pay the pensioners. We would have developed that, only we did not think in our wisdom when we gathered around the table that it was advisable. That is the reason why it has been omitted and that is the reason why it has been worded the way it is.

Q. You looked at the difficulties of the cost of reducing it and eliminating the means test and so on?—A. Yes.

Q. Now, I have asked you this question before, perhaps the chairman would let me ask you the whole question now, it takes in a couple of subjects. We are concerned about three weaknesses of the present system that have been noted by other witnesses. First is the means test, second is the age, whether it should be lowered from 70 to 65, and third is the sufficiency of the amount. We have asked the different witnesses, assuming that parliament can find enough money to do all these things, what should parliament start with, and what should be done first, second and third. You indicated a moment ago that you favoured the lowering of the age from 70 to 65, and the almost complete elimination of the means test?—A. Yes.

Q. Would you care to comment on these particular factors and rate them in order, say which of these things you would tackle first.—A. As I said before, Mr. Chairman, the first consideration that was offered when we were discussing this statement was the lowering of the age, the second question was the improving of the means test. I could not see elimination of it because we did not think that would be possibly or we might have answered differently, so we offered what we thought should be a correction of the present system, always bearing in mind that when it comes to the amount we thought there should be some flexibility to it so it would not restrict further the purchasing power of the dollar. But conditions being what they are in the country—they are different from what they are in the city—looking at it from that point of view we thought the $40, with the corrections that have been suggested here would be a fair amount. Is that an answer?

Q. Well, yes. You proposed then to start with $40 and let that be subject to adjustment as the cost of living goes up or down?—A. Yes.

The CHAIRMAN: Of course, it has been adjusted already.

The WITNESS: It has been adjusted and we suggest that it remain adjustable.

Mr. FLEMING: You suggest that the $40 a month should be adjusted to keep in line with the cost of living?

The WITNESS: Yes, if it goes down far enough. Now, Mr. Chairman, let me say that I am talking as a man whose income is not guaranteed, you see. I want to know what my own earnings are going to be before I can guarantee anyone a certain fixed amount of old age pension because, after all, I am paying that out of my income, or out of my ability to earn. Until my income is on a firm basis I cannot guarantee that. When my income is lower then I think the amount of pension should be lower also.

The CHAIRMAN: In other words, it should be based on the national income and the purchasing power of the dollar.

The WITNESS: Well, I cannot guarantee the payment of a salary that I would not be earning myself.

The CHAIRMAN: You mean in future years.

The WITNESS: Yes, in future years.

Mr. FLEMING: But today, Mr. Marion, with the cost of living at the highest point in history and taking $40 a month pension as a starting point, unless we have a most unusual inflation the cost of living over a period of years may drop somewhat. How far do you suggest the cost of living should drop before this reflects in the amount of the pension?

The WITNESS: Well, Mr. Chairman, I haven't gone into the details to that extent, but if it drops sufficiently, then everybody will know it. I remember the conditions back in the dark years when I was selling the best butter in Canada on the Montreal market at 15 cents a pound, and if I ever had to do that again, well, the Lord help me if I had to pay a pension of $40 to an old age pensioner, who could be my neighbour. What I mean to say is that if there is a remarkable difference in the cost of living, if it drops very substantially, then the amount will have to be revised, my own condition would have to be revised. That, Mr. Chairman, is the way we look at it.

By Mr. Fleming:

Q. Coming back to this matter of the means test, this modified form of means test, Mr. Marion, you would surely agree that it should be used with presumably an earned income table. At the present time the rate is $40 per month pension with a ceiling of $600 on income, which means that the pensioner is entitled today to earn only $120 a year; and if he is a married man then both husband and wife being on old age pension would be entitled to earn an aggregate income of $1,080 a year, in other words a total of $120 which is $10 a month?—A. That is right.

Q. And your proposal is that this figure on the means test of $120 should be raised to $240?—A. I mean it should be at least double, the allowable earnings outside of the pension should be at least double. But I haven't given much thought to that.

Q. You see, Mr. Marion, that would mean leaving only $10 per month for each of them, both husband and wife, only $10 a month for the two of them. We have not had any suggestion that was quite as modest as that one.

The CHAIRMAN: I wonder if Mr. Marion when he said that did not mean double the $600 for a single person? That is what I understood, because he said it in answer to one of my questions in which I mentioned $600 for a single person and $1,080 for married persons. I understood you to mean Mr. Marion that it should be double.

The WITNESS: That is what I meant, what I actually meant, under conditions the way they are now. I have seen cases of very real hardship. I have in mind an old man who is 77 years of age; poor old fellow, he had a chance to earn a few dollars as a night watchman and he earned $480.00 and some odd cents and now that has been taken away from him at the rate of $16.31 per month and that will last up until December 1st, 1952 before he is reinstated in the full amount of his pension of $40; but now he only gets $28 and some odd cents per month. He should have refused that work because he was getting more than what was allowed to him under present circumstances, and that is bad.

The CHAIRMAN: You are pleading now that the present means test system is a deterrent to production?

The WITNESS: It is.

By Mr. Fleming:

Q. That is the point which the chairman and I wish to get clear. How far would you go in raising the amount of income he can earn before anything comes off his pension?—A. This old man should have been able to earn $600 before anybody monkeyed with his pension; he should be allowed $600 aside from his pension. If he can still work, let him do it.

Q. You would raise the $120—A. I am not considering the $120 at all. I am forgetting it; that is bad stuff.

Q. You would raise it to $600 a year?—A. Yes.

Mr. SMITH: I do not think the point is quite clear yet. I wonder if the witness would say it all over again. My impression is that you would allow a single man to make $1,200, including his pension?

The WITNESS: I am not thinking of the pension too, because that involves too much figuring for the size of my head. I am thinking of the money he should be allowed to earn without the pension being affected. I said that he should be allowed to earn $600 before anything happens to his pension.

By the Chairman:

Q. I will come back to the question I asked you some time ago. Let me tell you that such an enlargement of the means test as you propose would mean that the cost would almost equal the cost of pensions under a universal payment system without means test. Would you still say that it would not be a good thing if we did away with the means test for at least part of the population?—A. Do I understand you to say that there would be no means test whatever?

Q. No, I said "part of the population." Suppose we did away with the means test at seventy; do not lower the age for a moment, but suppose we did away with the means test at seventy. It would not cost much more to make payments of $40 at 70 to everyone without a means test than it would cost under a system where the means test would be enlarged to the extent which you have indicated. Would you not think that it would be better to do away with the means test completely to avoid a lot of difficulties, amongst which there are the administrative difficulties?—A. Mr. Chairman, that is an aspect of the question that I have not turned over in my head.

Q. Well, what is your view, personally?—A. Personally I would do away with it.

Hon. Mr. KING: The witness is talking of age 65, perhaps?

By the Chairman:

Q. I put the question to him at age 70?—A. Without a means test, and paid to everybody?

Q. Yes?—A. Provided there was a means of recovering the pensions so paid from those who have enough personal income to live in comfort without it, I would say: do remove the means test.

Q. If in addition to what I outlined the income tax would work as kind of a recuperating system?—A. Yes, a way of getting money back from those who do not need it.

Mr. FERRIE: You agree that he should be able to earn $640 and that he should get the pension at age 70?

The CHAIRMAN: Oh, no, Mr. Ferrie. I am sorry but the witness did not imply that. I asked him a hypothetical question giving the age as 70.

By Mr. Pinard:

Q. Is it not a fact that lowering of the age is more important to you than the means test matter?—A. That is the way our people saw it, and I am representing them here.

Q. In other words you consider that lowering the age should be the first thing that we should consider here?

By Mr. Laing:

Q. May I have a question here? I would like to know if the opinion of Mr. Marion and of his people, towards lowering of the age limit, has to do with the other thought, that generally a large proportion of the people under the age groups 65 to 69 require a pension, or is it that a small group require it very very much indeed? Do you think it is a small group in that area which has great need?—A. I would be inclined to say that it is the second alternative that brought our people to making our request.

By the Chairman:

Q. The need of a small group?—A. Yes, a small group who are really in need.

Q. Would you say that the means test should be kept for people 65 to 70 so that the people in need could be selected?—A. I think it would have to be kept.

Q. It should be kept?—A. It should be kept in that age group.

Q. And would you advocate that the enlargement you propose would be as necessary between 65 and 69 as it would be in your mind, for the age of 70 and over?

Mr. FLEMING: That is the enlargement for earned income?

The CHAIRMAN: And increased personal property ceilings?

The WITNESS: I do not think the holding of personal property ceilings would be as necessary in the 65 to 70 age group as it would be for those 70 and over.

By Mr. Fleming:

Q. Is the means test which you propose to maintain for those between 65 and 69 about the same as the present means test?—A. No, Mr. Chairman, it is not the same because the present means test is a certificate of poverty. When a man receives a cheque that certifies that he is a beggar. That is way we understand it.

The CHAIRMAN: Mr. Knowles would agree with you.

Mr. KNOWLES: The means test is something else—a word worse than I can say.

Hon. Mr. HORNER: I know cases where pensioners have property which is quite valuable but they have no ready cash and they accept the cheques gladly, on the understanding that a lien is to be placed against their property.

The CHAIRMAN: I believe that Mr. Marion would like to comment on your statement, Senator Horner?

The WITNESS: If I understand the senator's question rightly it was that there should be a lien against the property.

Hon. Mr. HORNER: In some cases?

The WITNESS: Our people are strictly opposed to that. There should not be any lien, particularly between the ages of 65 and 70. It is a difficult situation because those who are in bad need generally do not have property or any productive property and they are in real need. Those are the ones our people are thinking of. In some cases they may have $10,000 farms which are giving no revenue or practically none. In that case we think the individual should be allowed to own the property, but no lien should be put against it for the pension that he receives. Otherwise you are taking back with one hand what you give with the other.

By the Chairman:

Q. If instead of putting a ceiling of $10,000, we would say that any property used as a home would be exempt, would that cover the objections you have in mind, at least to a certain extent?—A. It would, Mr. Chairman, at least to a certain extent, but it would not cover the case, the whole case. In many instances you have farmers who have 150 acres of land and they would have to get rid of that land some way in order to qualify as pensioners.

Q. But when you talked about a lien, did you have in mind the possible recovery by the pension authority, or have you been thinking only of a lien that would be put against the property so that it could not be sold without the consent of the pension authorities?—A. No, what we were thinking of, Mr. Chairman, in that instance was conditions as they exist today.

Q. Recovery?—A. Recovery.

Q. Conditions under which recovery can be made.—A. When the pensioner dies who has a home there in the village right next to me that is worth $1,000 maybe, or a few dollars more, on which there is a lien, when he dies I repeat, his children will not have anything from him with that because he has eaten it up with his pension.

Hon. Mrs. FALLIS: Is the question of a lien not a matter of provincial rather than federal jurisdiction?

The CHAIRMAN: Yes, Senator Fallis, some provinces make recoveries, some others do not.

Mr. KNOWLES: Is it not the other way round, they all make recoveries but they do not all put liens on properties?

The CHAIRMAN: Mr. Knowles is right, they all make recoveries but they do not all put liens on.

Mr. BLAIR: Ontario does not register a lien.

Hon. Mr. HURTUBISE: How can they make their recoveries if they do not register a lien?

The CHAIRMAN: We will call on Dr. Davidson to clarify this. What is the situation, in a few words, in the various provinces of Canada, say Ontario and Quebec for instance, in connection with liens and recoveries? Would you refresh us on that, please, Dr. Davidson?

Dr. DAVIDSON: Mr. Chairman, the position is that the laws of five provinces call for them to place liens against the estate of the pensioner.

The CHAIRMAN: That includes Quebec?

Dr. DAVIDSON: That includes Quebec and Ontario. Ontario within the past week has announced they are going to discontinue placing liens against the estates of pensioners.

What is the other question?

The CHAIRMAN: About recovery, the difference in practices between the various provinces on the question of recovery.

Dr. DAVIDSON: The situation is that in the province of Ontario, they take full advantage of the federal law and the federal concessions in respect to not collecting from estates of less than $2,000 in value, as I recall it. Quebec is one of the provinces which does not take the full advantage of that exemption and reserves the right to recover from an estate even if it is less than $2,000.

Mr. KNOWLES: But these provinces that do not place liens do make some recoveries, for example, above the $2,000 figure?

Dr. DAVIDSON: All provinces make some recoveries with the exception of New Brunswick which in a certain number of years in the past made no recoveries.

Mr. LAING: Mr. Chairman, may I ask a question?

Hon. Mr. FARQUHAR: How can they make a recovery without a lien?

Mr. LAING: All through their brief there is a continuous reference to the opinion that whatever amendments are made you want the responsibility to be a general responsibility between the federal government and the provincial governments.

The WITNESS: Mr. Chairman, that point was discussed at length and we came to the conclusion that the party that is closest to the people should have some say in the way it is administered, to be consistent with ourselves. We ask our provincial governments to leave much responsibility to the municipalities and to the school boards; it is the same principle that we follow here: we ask the same thing of the federal government, in order to be consistent with ourselves.

By the Chairman:

Q. But if a universal pension was put into effect under the same system as family allowances, for instance, that would not involve much administration. When you gave your answer, didn't you have in mind a means test system?—A. Yes.

Q. Under the means test system, the administration is to be with the provinces?—A. Yes.

The CHAIRMAN: Senator Farquhar, I think you had a question to ask.

Hon. Mr. FARQUHAR: Yes, Dr. Davidson just answered it for me privately.

Mr. KNOWLES: I think it might be interesting to have it on the record.

Dr. DAVIDSON: I was just saying to Senator Farquhar that the difference between recovery from estates when you have a lien and when you have not a lien is this: if you have not a lien against the estate when the pensioner dies an executor takes over and the provincial pension authority files a claim against the estate that is in the hands of the executor to dispose of, and that is a preferred claim of the crown against the estate; it takes priority over nearly all other claims. The only difference between the situation where a lien is filed and a lien is not filed is really in terms of what happens during the lifetime of the pensioner rather than what happens at his death. If you are in a province where a lien is filed then a pensioner who has a property cannot dispose of that property without the knowledge and consent of the pension authority because the lien is registered against the property and anybody wanting to buy that property will, in searching the titles, find that it is not free of encumbrances. If the same situation arises in the provinces where no lien is filed then the pensioner can dispose of his property at will and, if he wishes, spend the proceeds of that property during his lifetime, and in that way eliminate the estate from which the pension authority might otherwise recover its monies. But the difference is essentially in the terms of what can be done during the pensioners' lifetime rather than what happens in terms of recovery from the estate at the time of death.

Hon. Mr. KING (Joint Chairman): That is where the legal control comes in.

The CHAIRMAN: Are there any other questions you wish Mr. Marion to answer?

Mr. LAING: There are two systems involved here, Mr. Chairman. There is the suggestion on page 3, second paragraph, that in addition to the present old age pension there should be some provision for a plan which would involve, as it says, an individual compulsory and universal contribution.

The CHAIRMAN: They are against that.

Mr. LAING: Pardon me?

The CHAIRMAN: They are against it, they are for a voluntary contributory system.

On this question of compulsory contributory system, Mr. Marion, I understand you are against a universal compulsory contributory system which would relate the benefits to the contributions.

The WITNESS: I think, Mr. Chairman, I get your question. It is more or less explained in the first paragraph. It would be next to impossible to assess and collect a set amount. It would have to be done in some way that I have not heard of, or thought of, up to the present time.

By Mr. Ferrie:

Q. You do not think you would be satisfied with a production tax?—A. I do not quite get the gist of the idea. A production tax?

Q. A production tax on all that the farmer produces. Would they be willing to pay a tax like that for this old age security scheme?—A. Mr. Chairman, the difficulty in putting into operation a production tax levy, is that so many of our smaller farmers produce so little of so many things that there is nothing to levy against. It is all mixed farming, a few cows, a few sheep, a few hens, and a few of everything and not much of anything.

Q. But when these are sold they would take a certain percentage of that money that he got for his produce. It would be similar to the system under the Prairie Farm Assistance Act, a system that levies on the people in the three western provinces. When they get their cheque for their produce there is a deduction made under the P.F.A.A.

The CHAIRMAN: There is no cheque in Quebec, Mr. Ferrie.

By Mr. Ferrie:

Q. They must receive money from some place.—A. The corner grocer buys his eggs, and some local individual goes by and buys a calf and the next man comes and takes a lamb. You see we are in a rather thickly settled area and we have all small local markets. You do not sell twice to the same man, and for that reason it would be very hard, as a matter of fact, it would be impossible to levy with any sense of justice or fair play on production. A production tax would be an impossibility, I know. I think I am stating a fact, Mr. Chairman, when I say it would be an impossibility.

Q. You do not believe that the sales tax is fair, do you?—A. Mr. Chairman, there would have to be some means devised; it would have to be a sales tax which would affect the farmers, as well as others, because they are heavy buyers. It would have to be distributed over the whole of the population, otherwise you could not do it.

Q. But the sales tax falls very very heavily on the farmers?—A. It would certainly fall as heavily upon the farmer as it would upon the wage-earner in the city. No doubt it would, but the money has to come from somewhere and I do not see any other means. A production tax is an impossibility at home as well as in the Maritimes. And I know the Maritimes quite well.

By the Chairman:

Q. In the last sentence of the first paragraph on page 3 under the heading of "Compulsory and Universal Contributory Plan", you say:

> At any rate, a system which would involve the payment of a compulsory contribution appears to us very hard to accept by farmers and very difficult to apply.

Would you say the same thing of a social security tax with exemptions to such a level that it would leave out the small farmer, let us say, for example,

with an income $1.200?—A. I do not believe anybody has a right to lead me into temptation that way. That is really leading me into temptation. So many of our farmers would be tax exempt under that heading that I would naturally say yes. On the other hand, even I have a certain sense of justice and fairness; and if our people are going to benefit from a pension plan which would apply to everybody, there should be some way whereby everybody would at least pay a little. That is my personal feeling that I am expressing. It might be that some of my farmers would like to kick me for making that statement. But after all is said and done, if we are going to benefit from a plan, it is only fair that everybody should contribute. If one has but a little, he would contribute but little; and there is no way of making a levy on a production tax basis. There is no way of doing that.

Q. Suppose you had a combination of taxes such as a sales tax, or as it was called the other day by Mr. Anderson—a spending tax, which would reach everybody, and a social security tax, of the kind I just mentioned, would that in your opinion be fair?—A. That would be an answer to the problem.

Mr. FERRIE: Would there be an exemption in it?

The CHAIRMAN: I assumed there would have to be an exemption level for the social security tax.

Mr. FERRIE: How far would you go in the way of an exemption in the spending tax?

The CHAIRMAN: Not on the spending tax but on the social security tax; and that would fall more heavily on those who could afford to pay more.

Mr. SHAW: You are suggesting two taxes, Mr. Chairman?

The CHAIRMAN: Yes, a combination of two taxes.

Mr. FERRIE: Do you want the family to pay it all? That is what it would seem to mean.

The CHAIRMAN: I believe the witness understood my question.

Mr. SMITH: That spending tax would exempt food and shelter, would it not?

The CHAIRMAN: Yes.

Mr. SMITH: Which would mean that the farmer and the fisherman who did not have much extra money to spend would at the same time be making their contributions.

By Mr. Corry:

Q. What would be the reaction of the farmers of Quebec to a stamp book system in which they would get their book and make their collections in that way? Would there be any possibility of reaching 100 per cent coverage in that way, the same as in connection with unemployment insurance?—A. That would mean that a man would have to buy stamps with each purchase that he made?

By the Chairman:

Q. No, no, he would buy stamps at the Post Office. In order to qualify for his benefits he would contribute through the purchase of stamps.—A. And if he does not buy them, what then?

Q. He has no pension.—A. That means he would eliminate himself by not buying stamps; and then when he got old enough and needy enough he would come to the back door and say: "I am in need and I want help." And we would have to give him help, would we not? You do not leave a dog out in the cold.

Mr. BENIDICKSON: He would have to be paid on a basis of need by some government.

Mr. FERRIE: I did not get your idea of a spending tax, Mr. Chairman. I have been accustomed to what you call a spending tax. I do not think the committee really and truly understands what it is. If I understand you rightly, you would have an assessment or a levy of 1 per cent or 2 per cent upon everything that you spend?

The CHAIRMAN: That is a sales tax, Mr. Ferrie.

Mr. FERRIE: No. What is the difference between a sales tax and a spending tax?

The CHAIRMAN: A sales tax is a spending tax.

Mr. LAING: It is a cultured word for the same thing.

The CHAIRMAN: You may have an indirect sales tax as we have here in the federal government; or you may have a direct sales tax as they have in Quebec and in British Columbia, which is also a spending tax.

Mr. FERRIE: In the provinces you cannot impose a direct sales tax.

The CHAIRMAN: Oh, yes you can. That is the only kind of taxes the provinces may impose.

Mr. FERRIE: You cannot impose it on the invoice, but rather upon the individual as a direct tax. Is that what you mean?

Mr. SMITH: A retail sales tax.

The CHAIRMAN: A retail sales tax is a direct tax; whereas a manufacturer's sales tax is an indirect tax.

Are there any other questions, Mrs. Fallis and gentlemen?

Hon. Mr. HORNER: I would like to ask the witness a question. I believe you spoke to the committee of a man working until after 77 to earn some additional money. You would not recommend, would you, or your group would not recommend a system where anyone in their lifetime would have to take no thought themselves to provide for their own old age, or a system whereby the family would have no thought for caring for their parents in their old age.

Mr. LAING: They say there is rarely evidence of that.

The WITNESS: I thought I made that evident at the outset; anything that would stop a man from providing for himself or his family is wrong.

The CHAIRMAN: Senator Horner was not in the room when you made your original statement.

The WITNESS: Should I make that quite plain?

The CHAIRMAN: Would you repeat in a few words your opening statement?

The WITNESS: Mr. Chairman, I simply stated this, that all of us are of the mind that we say nothing should be done to prevent a man taking care of himself and his family to the utmost of his ability. There is nothing that interferes with the primary responsibility of a man towards himself and his people.

Hon. Mr. HORNER: That answers my questions; and that would be your reason for not recommending too high a pension?

The WITNESS: That is right.

By Mr. Smith:

Q. If I remember correctly, you said that over half of those between 65 and 70 would not need a pension because they would have enough means to take care of themselves; is that correct?—A. Yes.

Q. Would there be a proportional half of those, do you think, who would be in need because of health reasons?—A. Oh, it would be nowhere near one-half. I consider they would be exceptional cases. At 65 to 70 they are not numerous, but some of them are really pitiable cases and our people, through sympathy, thought something should be done to enable them not to have to hope

and pray to be two years older every year in order to get to 70. Life is too short, and it is too bad if a man is anxious to get old because he is famished.

Mr. SMITH: I thought Mr. Marion indicated that one-half of the group between 65 and 70 would be old for their years.

The WITNESS: It would not be more than one-fifth or perhaps one-sixth of the total group.

Mr. SHAW: Mr. Chairman, Mr. Marion suggested a minimum pension plan acceptable to all who need it, and then he resorts to government annuities, partially paid for by the federal and provincial governments. Would you care to elaborate on that, Mr. Marion?

The WITNESS: Mr. Chairman, I think the best I can do is say that we in our own organization have created annuities for which we pay 5 per cent and the employee pays 5 per cent of his salary, and we buy federal government annuities.

Mr. SHAW: Are you speaking now of employees of the credit union?

The WITNESS: No, I am speaking of our own farmers' association for Quebec, but we also have such a plan within the credit union association. We suggest it might be possible for the federal government to enable the common man to buy annuities and that the federal government put in dollar for dollar, or a certain amount toward his purchase of annuities. That would encourage thrift and forethought on the part of the man who wanted to have more than the basic minimum pension that he would get anyway, but if he was so inclined he could buy annuities with the federal government going in partnership with him toward obtaining such annuities.

Mr. LAING: You used the word "subsidies".

Mr. CHAIRMAN: Yes, it would be a subsidy; it would be subsidizing the payment of government annuities.

Mr. LAING: In what way?

The CHAIRMAN: By the federal government paying part of it up to a certain amount.

Mr. LAING: Annuities were more attractive when they paid 4 per cent than they are now when they are paying 3 per cent. Would you think something like that would help?

The WITNESS: What I am suggesting is the federal government would do what we are doing for our own employees. We are paying as much as they are; every time a man puts $5 in an annuity we put in $5, and if that was done through the federal government the federal government could chip in and put in a certain percentage of money to buy such annuity.

By Mr. Benidickson:

Q. I did not understand that your union was making these contributions for them. Are they your farmer members?—A. No, they are our employees.

Q. People at the office headquarters of the union?—A. Yes.

By Mr. Blair:

Q. You have stated you have 110,000 farmers in Quebec and 72,000 are in this union. That leaves 38,000 not in the union. Are they a poorer class of farmers or are they just indifferent about joining your organization? It is interesting and I would like to know if the 38,000 farmers are not so well off and cannot afford it.—A. Mr. Chairman, of course Dr. Blair knows the answer before I give it. We claim to have within our ranks the most progressive farmers, not always the wealthiest or richest, because you know how difficult it would be for the rich to get into the Kingdom of Heaven. It is harder to get in there than it is to go through a needle's eye. We do not have the riches but we have the brightest.

Q. I think that is very praiseworthy. That gives each of your members an average share in this of $6,000?—A. Oh, no, those are two different things. Of our members 70,000 out of 72,000 families are members of the credit union.

Q. 72,000 are not?—A. Are not members of the association but are members of the credit union. They are two different set-ups and are separate, although I am an officer in both of them. We have managed to get the farmers interested in credit unions although they are not members of our union. They are two different set-ups, independent of each other, but the officers are the same in both.

The CHAIRMAN: Senator Vaillancourt is a member of our committee and is president of the credit unions in Quebec. That is a different set-up entirely from the Union of Farmers, but most of the members of the Union of Farmers are also members of the credit unions plus other farmers and a great number of wage earners.

The WITNESS: Mr. Chairman, for your information, in our credit unions we have 355,000 members.

By Mr. Brooks:

Q. In connection with the annuity, do you think it would be fair for the annuity to be bought by the individual, or half paid for by the individual, where it was not a universal thing?—A. That was only put in there as a possible suggestion that the government might do something to encourage thrift and forethought. Might I illustrate a case very briefly? In Granby there was an owner of a large factory, and some of you members may know him, Mr. Weber. He was a member in the House for a number of years but he is not here today. He decided that if those of his employees below 25 years of age deposited any money in the credit union he would pay 50 cents for each dollar they put in, and he was surprised at the amount it cost him.

Q. He got a lot of money from the people.—A. It was for the benefit of the younger people to encourage thrift, and it did a lot of good. Now, if the federal government ever undertakes to do anything that would encourage Canadians to save money for themselves through their own efforts, it might not be a waste of public money.

Q. My point is that probably not 50 per cent of them would take advantage of this annuity and you could have 50 per cent benefiting and another 50 per cent not benefiting but contributing to the government, and it would not be fair to those who were not receiving it.—A. That could be.

Mr. BENIDICKSON: Then again it is recognized the government annuity scheme we have today is not operated on a balancing dollar basis. Under the present scheme the government assumes the cost of administration and its rates now are not those that can be provided by a commercial organization. How would they prevent a lot of people of means from running in and buying bargain annuities from the government?

The WITNESS: Mr. Chairman, we did give thought to that objection and regardless of the difficulties that might be involved, that was thrown out more as bait to see if we would catch any fish with it. My people thought it was worth while to put in some suggestion that the government encourage thrift and a desire to help oneself.

The CHAIRMAN: Are there any other questions?

Mr. BENIDICKSON: Before we conclude I just want to report to you officially that the permanent secretary of the Minister of Veterans Affairs has approached me and has indicated that his minister and the War Veterans Allowance Board are anxious to have a brief presented to this committee outlining the features of old age security as they are applied to veterans.

As you know, we recognize premature aging in connection with the veteran class, and they feel that their administration is likely to be affected by our deliberations, and I am bringing this to your attention so that you can arrange with the steering committee to give consideration to it.

The CHAIRMAN: Yes, Mr. Benidickson; is the memorandum ready?

Mr. BENIDICKSON: I believe the memorandum is ready.

The CHAIRMAN: If it was ready we could distribute it to the members of the steering committee and call a meeting of the steering committee for Thursday night to decide on it. Would that suit the purpose?

Mr. BENIDICKSON: I will make inquiries and see if I can get copies of it.

The CHAIRMAN: Tomorrow we are going to hear from Mr. Mitchell Sharp, of the Department of Finance, and his memorandum was distributed to you a few moments ago. There is no indication on the memorandum that it is from him. Thursday morning we will have Mr. Lamontagne of the School of Social Sciences from Laval University. You will have his brief tomorrow. On Friday we will have Dr. Cassidy of the University of Toronto. You already have his brief in your folder. On Monday the witness will be Dr. Charlotte Whitton. On Tuesday next we had intended to hear Mr. Varcoe, the Deputy Minister of Justice; but, of course, if the steering committee decide to hear the officials from the Department of Veterans Affairs I think we should hear them on Tuesday and have Mr. Varcoe come on Wednesday.

The members of the committee join with me in thanking you very much and very deeply, Mr. Marion, for your presentation and for giving us the consensus of opinion of the farmers you represent.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: You may be sure that we appreciate the trouble you have gone to in presenting your memorandum, and the members of the committee will appraise to its merit the fact that you have answered their questions in a tongue which is only a second tongue to you; and, again, we wish to thank you very deeply.

The WITNESS: You have been very kind to me. Thank you very much, Mr. Chairman.

—The Committee adjourned.

APPENDIX

TRANSLATION

The CHAIRMAN: Gentlemen, we have here as witness this afternoon Mr. J. A. Marion, general president of the Catholic Union of Farmers.

You can rest assured, Mr. Marion, that the members of this committee are joining with me in thanking you sincerely for the trouble you have taken in the preparation of a brief for our benefit. The committee is also grateful to you for the fact that you have consented to address us on the subject of old-age pensions, and to answer questions that members of the committee may wish to ask you. There is no doubt that your experience and knowledge will be very useful to this committee in its study of the problem, and particularly in its difficult task of drafting a report.

The WITNESS: Mr. Chairman, I wish to thank you for the good words you have just said about me, and I assure you that we are pleased and honoured in being able to make a few remarks here on a problem which is becoming more and more interesting to the whole population, and to which we have given a certain amount of study, particularly during the last two or three years.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 23

WEDNESDAY, MAY 24, 1950

WITNESS

Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

WEDNESDAY, May 24th, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Cannon, Corry, Côté (Verdun-La Salle), Croll, Ferrie, Fleming, Knowles, Laing MacInnis Macnaughton, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelbourne*).

In attendance: Mr. M. W. Sharp, Director, Economic Policy Division, and Mr. E. H. Smith, Taxation Division, Department of Finance; Mr. J. W. Willard, Director of Research, and Mr. J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare.

On motion of Mr. Croll,

Ordered,—That the following documents laid on the Table by the Chairman be printed in appendix to this day's Minutes of Evidence, viz:

1. Letter from Mr. W. M. Anderson to Mr. Lesage offering certain clarifications in respect of his evidence submitted on May 19th. (*See Appendix "A"*).

2. Statement entitled "Provincial supplemental allowances, medical, hospital and related services", being information requested by Mr. Fleming. (*See Appendix "B"*).

3. Statement entitled "The lengthening life-span of Pensioners", being information requested by Mr. Knowles. (*See Appendix "C"*).

4. Representations received from organizations and individuals other than those presenting oral evidence. (*See Appendix "D"*).

Mr. Sharp was called. He presented a memorandum on "Financing a program of Old Age Security for Canadians", prepared by the Department of Finance. The memorandum was taken as read and it was ordered that it be printed in this day's Minutes of Evidence.

Mr. Sharp was examined thereon, assisted by Mr. Smith.

The Chairman announced that the following witnesses would appear during the coming week:

On Monday, May 29: Miss Charlotte Whitton;

On Tuesday, May 30: Representatives from the Department of Veterans Affairs and the War Veterans Allowance Board (provided that the Steering Committee so recommend);

On Wednesday, May 31: Mr. F. P. Varcoe, Deputy Minister of Justice.

The Committee agreed that subsequent sittings during which Departmental Officials would submit answers to members' questionnaires as recommended in the Steering Committee's report of May 16th, be held *in camera*.

At 5.45 p.m. witness retired and the Committee adjourned until Thursday, May 25th at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Wednesday, May 24, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairman) were present. Mr. J. Lesage presided.

The Chairman: Senator Fallis and gentlemen, we have a quorum. I have receive from Mr. Anderson, the General Manager of the North American Life Assurance Company whom we heard last Friday morning, a letter in which he clarifies certain discussions he had in the committee with Mr. Knowles and Mr. Shaw. This letter is going to be distributed to members. Would somebody suggest that this be printed as an appendix to today's proceedings?

Agreed.

(See Appendix A.)

The following document has already been distributed. It is titled: "Provincial Supplemental Allowances, Medical, Hospital and Related Services". This is in response to information requested by Mr. Fleming at page 92 of the minutes of evidence on April 19, 1950. Would somebody suggest that this be printed as appendix B to today's proceedings?

Agreed.

(See Appendix B.)

Now, another document has also been distributed. It contains information requested by Mr. Knowles on May 9, 1950, at page 517 of the minutes of evidence of the joint committee on Old Age Security. Would somebody move that this be printed as appendix C to today's proceedings?

Agreed.

(See Appendix C.)

Now, would somebody move that all the representations, the memoranda that we have received and which are in the folder entitled "Other Briefs" be printed as an appendix to today's proceedings?

Agreed.

(See Appendix D)

Mr. Croll: Mr. Chairman, do you really want that? Is that that list of various letters?

The Chairman: They are not letters, they are representations from the blind and others and it was decided in the steering committee that they should be printed at some place in our proceedings. Those briefs are not only from the blind; as a matter of fact they are representations from the British Columbia Old Age Pensioners Organization, the Old Age Pensioners Organization of Saskatchewan and so forth.

Mr. Fleming: I wonder which ones you are speaking of? Are they the ones that came in in the last day or two?

The Chairman: I am referring to the whole of them. You suggested yourself, Mr. Fleming, that we wait until we had all of them.

Mr. FLEMING: I think we had decided to put them in automatically when you thought the time was ripe.

The CHAIRMAN: I am making the suggestion now because I believe the time is ripe. Those will be printed as Appendix D to today's proceedings.

Now, our witness today is Mr. Sharp.

Mr. Sharp has already supplied the members of the committee with a memorandum which has been distributed and I will ask him if he has something to add before I ask the members for questions.

Mr. Mitchell W. Sharp, Director of the Economic Policy Division, Department of Finance, called:

The WITNESS: Thank you, Mr. Chairman. All I do want to say is, in preparing this memorandum the members of the department that worked on it had in mind supplying information which they thought would be useful to the committee. As I say in the introductory notes, there may be other information that the committee wishes and the department will be only too glad to supply it if we can. I should add this that many of these estimates are at best what are known as "guesstimates". You cannot be sure what the margin of error is; they are the best that can be made under the circumstances and any other estimates we make would be subject to the same qualifications. I think that is all I have to say, Mr. Chairman.

FINANCING A PROGRAM OF OLD AGE SECURITY FOR CANADIANS PREPARED FOR THE JOINT COMMITTEE ON OLD AGE SECURITY BY THE DEPARTMENT OF FINANCE

The purpose of this submission is to place before the Committee illustrations of the revenues that might be raised from various forms and levels of new levies or changes in existing taxes to finance a program of old age security for Canadians, and of the premiums necessary to purchase annuities at given ages.

Before doing so, however, it is perhaps well to make a few general, and perhaps obvious, remarks about the relation between the nature of an old age security program and the method of its financing.

The various kinds of programs that might be envisaged are unlimited and the Commitee has already reviewed a great many, both those in effect and in other countries and various proposals put forward by witnesses. No attempt will be made in this memorandum to classify them or arrange them according to any system.

From a financing point of view, however, there are two fundamental approaches to the provision of old age security viz.:

(1) the "pay-as-you-go" approach,

(2) the "deferred equity" or insurance approach.

The "pay-as-you-go" approach does not necessarily imply that expenditures and revenues are precisely in balance from year to year. It is conceivable that the yield from levies put on specifically to finance a scheme of "pay-as-you-go" old age security could, in a particular year, exceed disbursements to pensioners in that year and the surplus kept in a separate fund. It is also conceivable that the proceeds of such levies could fall short of disbursements, resulting in a deficit to be met out of general revenues. Indeed, the system would be on a "pay-as-you-go" basis if the cost were entirely met out of general revenues.

The fundamental characteristic of a "pay-as-you-go" system is that those who are working pay the cost of providing pensions for those who have retired. The financing of a "pay-as-you-go" system is a matter of distributing the current cost of pensions over the population in what is considered to be a proper way. In other words, it is essentially a revenue problem, even though the scheme may be "contributory" in the sense that it is paid for in whole or in part by a special levy or contribution.

In contrast is the "deferred equity" or insurance approach by which the pensioner, in effect, accumulates a right to a pension by making a financial provision through the payment of appropriate premiums during his working life. This system, in so far as it is self-supporting, involves the accumulation of a reserve fund or a reserve account out of which the pension claims are ultimately to be paid.

The tables that follow, therefore, are divided into two groups. The first group (Tables I, II and III) illustrates the premiums that would have to be paid monthly beginning at various ages in order to purchase annuities of various amounts payable at ages 65 and 70. Calculations are included to illustrate the effect of such features as return of premiums at death and survivors' benefits.

These premium calculations, of course, are not necessarily the rates that might be fixed under a "deferred equity" or insurance plan, nor do they take account, for example, of possible division between employers and employees. They are mathematical calculations designed to show how much has to be set aside in one way or another to accumulate a pension of a given amount. For purposes of illustration only an interest rate of 3 per cent has been used in these calculations which is higher than the current yield on long-term Government of Canada obligations. In providing estimates of costs under the Old Age and Survivors Insurance scheme in the United States a rate of 2 per cent was used, and if such a rate were used in Canada the cost of the premiums would be considerably higher. Until experience is gained after the introduction of universal old age pensions the choice of a mortality table is difficult, but the one used in these calculations should not be greatly out of line with the mortality to be experienced over the next few years.

The second group (Tables IV to XI) provides certain basic information about:

(*a*) the yields of existing taxes,

(*b*) the estimated yields of certain kinds and levels of taxes on income and consumption.

A word of explanation may be in order about the choice of taxes used in the illustrations of hypothetical yields.

In the first place, in putting forward these illustrations, there is no suggestion that there is merit in any particular tax listed, and the Committee may wish the Department to make other estimates. Furthermore, an attempt is made to provide basic material from which further calculations can be made. For example, figures are shown of the theoretical yield of a 1 per cent tax on all personal income without exemption. This can, if necessary, be multiplied to calculate the theoretical yield of a tax of this kind at any level. It did seem useful also to show the effect of introducing certain limitations and exemptions upon the yield of various taxes, including present taxes.

Finally, these estimates are the best that could be made with the available information. In the nature of things, they are subject to the usual and, in some cases, more than the usual margin of error. They assume present levels of national income and employment.

In presenting these calculations, no attempt is made to differentiate between levies which could be regarded as "contributions" specifically earmarked for a "pay-as-you-go" old age pension plan, and those which might simply be a means

of raising additional revenue for that purpose. That is a quite separate though important question, involving considerations other than the raising of revenues such as the coverage and amount of the pension provided, the relation of old age security to other parts of a social security program, and the constitutionality of levies specifically earmarked for social security purposes. It therefore falls outside the scope of the present submission.

TABLE I

SHOWING MONTHLY PENSION WHICH CAN BE PURCHASED BEGINNING AT AGE 65, WITH PREMIUM EQUAL TO 1% OF MONTHLY INCOME, INTEREST RATE 3%— NO LOADING FOR ADMINISTRATIVE COSTS

NO RETURN OF PREMIUMS if the Contributor dies before age 65.

Age at which Premiums Begin	Monthly Income				
	$100	$150	$250	$300	$400
Male—					
20	$10.71	$16.06	$26.77	$32.12	$42.83
30	6.72	10.08	16.80	20.16	26.88
40	3.86	5.80	9.66	11.59	15.46
50	1.86	2.79	4.65	5.58	7.43
60	.49	.73	1.22	1.47	1.96

WITH RETURNS OF PREMIUMS if the Contributor dies before age 65.*

Male—					
20	8.09	$12.14	$20.23	$24.27	$32.36
30	5.27	7.91	13.19	15.82	21.10
40	3.18	4.77	7.95	9.54	12.72
50	1.62	2.44	4.06	4.87	6.50
60	0.46	0.70	1.16	1.39	1.85

Survivor's Benefits

On the prior death of the male after Age 65, the pension to the surviving wife to be reduced by one-half—on the prior death of the male before Age 65, one-half the full pension to be paid to the surviving wife at Age 65.

Male	Female					
20	15	$7.94	$11.90	$19.84	$23.81	$31.75
30	25	5.02	7.53	12.54	15.05	20.07
40	35	2.92	4.37	7.29	8.75	11.66
50	45	1.42	2.14	3.56	4.27	5.69
60	55	0.39	.58	0.96	1.16	1.54

Mortality Table: Mortality of Annuitants, 1900-1920, a *(f)* and a *(m)* with a reduction of three years in age.

*These rates are identical with the rates quoted for Canadian Government Annuities.

SHOWING MONTHLY PENSION WHICH CAN BE PURCHASED BEGINNING AT AGE 70, WITH PREMIUM EQUAL TO 1% OF MONTHLY INCOME, INTEREST RATE 3%—NO LOADING FOR ADMINISTRATIVE COSTS

NO RETURN OF PREMIUMS if the Contributor dies before age 70.

Age at which Premiums Begin	Monthly Income				
	$100	$150	$250	$300	$400
Male—					
20	$17.76	$26.64	$44.40	$53.29	$71.05
30	11.36	17.05	28.41	34.09	45.45
40	6.79	10.18	16.97	20.37	27.16
50	3.58	5.37	8.94	10.73	14.31
60	1.39	2.08	3.46	4.16	5.54

WITH RETURN OF PREMIUMS if the Contributor dies before age 70.*

Male—					
20	$11.74	$17.61	$29.34	$35.21	$46.95
30	7.86	11.79	19.65	23.58	31.45
40	4.96	7.44	12.40	14.88	19.84
50	2.81	4.21	7.01	8.42	11.22
60	1.20	1.80	2.99	3.59	4.79

Survivor's Benefits

On the prior death of the male after Age 70, the pension to the surviving wife to be reduced by one-half—on the prior death of the male before Age 70, one-half the full pension to be paid to the surviving wife at Age 70.

Male	Female					
20	15	$12.41	$18.61	$31.02	$37,22	$49.63
30	25	7.99	11.99	19.98	23.98	31.97
40	35	4.82	7.23	12.05	14.46	19·28
50	45	2·57	3.86	6.43	7.72	10.29
60	55	1.02	1.53	2.55	3.06	4.08

Mortality Table: Mortality of Annuitants, 1900-1920, a(f) and a(m) with a reduction of three years in age.

*These rates are identical with the rates quoted for Canadian Government Annuities.

TABLE III

SHOWING MONTHLY PREMIUMS NECESSARY TO PURCHASE MONTHLY PENSIONS OF $40 AND $50, BEGINNING AT AGES 65 AND 70, INTEREST RATE 3%—NO LOADING FOR ADMINISTRATIVE COSTS

Age at which Premiums Begin	Monthly Premium for Pension to begin at Age 65 of		Monthly Premium for Pension to begin at Age 70 of	
	$40 monthly	$50 monthly	$40 monthly	$50 monthly
No Return of Premiums if the Contributor dies before the Age the Pension is to begin.				
Male—				
20	$ 3.74	$ 4.67	$ 2.25	$ 2.82
30	5.95	7.44	3.52	4.40
40	10.35	12.94	5.89	7.37
50	21.52	26.90	11.18	13.98
60	81.66	102.08	28.87	36.09
With Return of Premiums if the Contributor dies before the Age the Pension is to begin.*				
Male—				
20	$ 4.94	$ 6.18	$ 3.41	$ 4.26
30	7.58	9.48	5.09	6.36
40	12.58	15.72	8.06	10.08
50	24.62	30.78	14.26	17.82
60	86.26	107.82	33.41	41.76

Survivor's Benefits

On the prior death of the male after the Age the pension is to begin, the pension to the surviving wife to be reduced by one-half—on the prior death of the male before the Age the pension is to begin, one-half the full pension to be paid to the surviving wife at the same Age.

Male	Female				
20	15	$ 5.04	$ 6.30	$ 3.22	$ 4.03
30	25	7.97	9.97	5.00	6.26
40	35	13.72	17.15	8.30	10.38
50	45	28.10	35.12	15.55	19.44
60	55	103.73	129.66	39.19	48.99

Mortality Table: Mortality of Annuitants, 1900-1920, a (*f*) and a (*m*) with a reduction of three years in age.

* These rates are identical with the rates quoted for Canadian Government Annuities.

TABLE IV

YIELDS OF EXISTING TAXES
(Based on Budget of March 28, 1950)

—	Fiscal Year 1950-51 (Forecast)	Fiscal Year 1949-50 (Preliminary)
	(in Millions of Dollars)	
Customs Import Duties	225·0	229·0
Excise Duties—		
Alcoholic Beverages	102·0	104·5
Tobacco Products	114·0	114·0
Less Refunds	− 3·0	− 3·0
Net Excise Duties	213·0	215·5
Sales Tax (net)	400·0	404·1
Other Excise Taxes		
Tobacco Products	83·5	83·4
Automobiles, Tires and tubes	35·0	34·2
Stamps (cheques, stock transfers, etc.)	9·5	9·7
Cigarette papers and tubes	7·0	7·1
Jewellery, ornaments, etc	4·5	4·3
Other	13·5	25·2
	153·0	163·9
Income Taxes—		
Individuals	530·0	611·5
Corporations	580·0	586·5
Interest, dividends, etc	46·0	45·5
Excess Profits Tax	......	− 2·5
Succession Duties	29·0	28·5
Miscellaneous Taxes	4·0	4·0
Total Tax Revenue	2,180·0	2,286·0

Illustrations of hypothetical tax yields

TABLE V

Effects of changes in exemptions under existing personal income tax without change in rates:

Lowering of exemptions to $750 for single person, $1,500 for married person, $100 for family allowance dependents, and $300 for other dependents	additional revenue of $160 million
It is estimated that there would be approximately 750,000 new taxpayers under these exemptions, who would pay about $22 millions of the increase in revenue.	
Lowering of exemptions to $500 for single person, $1,000 for married person, $75 for family allowance dependents, and $200 for other dependents	additional revenue of $365 million
It is estimated that there would be approximately 1,300,000 new taxpayers under these exemptions, who would pay about $84 million of the increase in revenue.	

Note on method of calculation

To estimate the increase in yield and the additional number of taxpayers a distribution of taxpayers according to income groups and marital status below the present exemptions was constructed on the basis of a recent unpublished analysis of Canadian incomes by income, occupation, and marital status, prepared by the Department of National Revenue. This distribution employed information derived from income tax returns and labour force and national income statistics.

The average taxable income in each income group in the total distribution including these new taxpayers was multiplied by the number of taxpayers in the group. This was done for each set of new exemptions, and the sum of these calculations gave the estimated yield from the personal income tax for each combination of exemptions. These totals were then compared with the estimated yield of the income tax under present exemptions to obtain the increase in revenue under the new exemptions.

TABLE VI

Surtax or surcharge on existing income tax liability each 5 per cent	$29,000,000

Note on method of calculation

This calculation represents one-twentieth of the annual yield of the present income tax, assuming present levels of national income, estimated to be $575 to $580 million. The forecast of revenues from personal income tax for the fiscal year 1950-51 is $530 million (see page 8), the difference being due principally to deduction from 1950-51 revenues of refunds in respect of 1949 taxes and to the inevitable differences between tax yields in respect of a particular period and collections within that period.

TABLE VII

SPECIAL LEVIES ON PERSONAL INCOME (ASSUMING PERFECT COLLECTION)

EACH 1% TAX ON PERSONAL INCOME
(Millions of dollars)

Base	No Maximum	$50 Maximum	$25 Maximum
All income	100·0	92·3	81·3
All income less deductible exemption of $250	87·5	80·2	75·5
All income less deductible exemption of $500	74·3	67·5	60·2
All income less exclusion of $500	98·0	90·5	79·6
All income less exclusion of $750	95·0	87·5	76·8
All income less exclusion of $1,000	90·1	82·7	72·0

NOTE.—Exclusion means that persons with incomes equal to or less than the amount of the exclusion (say, $500) are not subject to tax. Persons with incomes above the amount are subject in full (except for "notch" provision). Thus the exclusion is NOT the same as a deductible exemption.

The Assumption of Perfect Collection

This assumption is made not because it is thought to be realistic but because the Department has insufficient facts and experience on which to put forward, with any degree of confidence, a forecast of probable collections of any of the foregoing special levies on income.

The problems and costs of collection would be least with respect to wages and salaries and some kinds of investment income which can be taxed at the source. Both the problems and the costs would mount rapidly in attempting to collect the levy from the self-employed (including about 650,000 farmers and 350,000 other own-account workers who in many cases do not keep adequate accounts and whose costs of doing business cannot easily be established) and from casual earnings of various kinds, particularly if there were no exemptions or exclusions or such exemptions and exclusions were at a low level. For example, if there were no exemptions or exclusions, there would be the problem of assessing and taxing such items as the earnings of messenger boys, casual earnings and minor investment receipts of housewives, the value of farm products consumed by subsistence farmers who have little cash income, small earnings derived from the letting of rooms and taking in of boarders, income from spare time work of wage and salary earners, and so forth.

Note on method of calculation

The same distribution of incomes as that used in preparing the immediately preceding estimates was employed for the above calculations, with minor adjustments. The total level of individual incomes was taken at a round figure of $10 billions for purposes of this computation, which may be regarded as a fairly conservative estimate of the amount of personal income, at present levels of national income, that would come within the scope of the present tax law. For example, it is assumed that the exemption of family allowances, war pensions, unemployment insurance, etc., now allowed would be continued, and that other reliefs for medical expenses, charitable donations, deduction of losses, etc., would also be allowed. To the extent that the scope of the special levy is made broader than the base of the present income tax the revenue will be correspondingly increased.

Where no exemptions, exclusions or maxima are provided the calculation of yield is based on this gross total figure. Where calculations were made allowing for the deduction of an exemption the procedure is similar to that described for the immediately preceding computation. Where a maximum tax is described the same method is used up to the point where the maximum takes effect, and beyond that point each taxpayer is assumed only to pay the maximum tax.

TABLE VIII

Taxes on consumption (assuming no change in levels of consumption).

Present sales tax	
each 1 per cent yields	$ 50,000,000
Removal of exemptions from present sales tax, thus making all goods and services, including food generally consumed in Canada, subject to the 8 per cent sales tax, would result in additional revenues	$300,000,000

Note on methods of calculation

There are 6 major categories of goods not presently subject to sales tax:

(1) Foodstuffs—only a few items are now taxed;
(2) Fuel—including electricity;
(3) Building materials—only a few items are now taxed;
(4) Machinery used directly in the manufacture of goods;
(5) Farm machinery;
(6) Miscellaneous—a wide range of goods, most of which are of minor importance. Also all purchases by public hospitals and certain charitable institutions are exempt.

Sales tax is applied to the factory or processor's price or, in the case of imported goods, the duty paid value of goods subject to sales tax. It is estimated that, with exemptions removed, the value of the additional goods that would be subject to sales tax is as follows:

	(Millions)
(1) Food	$ 1,450
(2) Fuel	700
(3) Building materials	850
(4) Manufacturing machinery	380
(5) Farm machinery	320
(6) Miscellaneous	100
	$ 3,800

These amounts are approximate because available statistical information is not sufficiently detailed to make an accurate estimate possible. This is particularly true of Group No. 6 which consists of at least 100 assorted items.

Sources of material

(1) *Food*—D.B.S. estimate of retail sales of foodstuffs has been reduced by eliminating sales of those foods which are now taxed; the remainder which represents retail sales of exempt foods has been further reduced by amounts representing approximate retail and wholesale markups.

(2) *Fuel*—D.B.S. estimates of total industrial and domestic consumption of coal, electricity, and fuel oil. Coal comprises 46 per cent of the total, electricity 37 per cent, and fuel oil 17 per cent.

(3) *Building materials*—D.B.S. estimate of materials used by the construction industry. Retail purchases by individuals are not included. At the same time building materials still taxable have not been excluded. The adjustments would probably be offsetting.

(4) *Manufacturing machinery*—Department of Trade and Commerce preliminary estimate of capital expenditures on machinery and equipment made by the manufacturing industry in 1949.

(5) *Farm machinery*—Department of Trade and Commerce preliminary estimate of capital expenditures. It has been based on sales of farm machinery in 1949.

(6) *Miscellaneous* exemptions are listed in Schedule III, Excise Tax Act.

TABLE IX

Taxes on Corporate Income

Surtax on existing corporate taxes, each 5 per cent $29,500,000

Note on method of calculation

Current corporation profits for purposes of this estimate, are assumed to be $1,850,000,000; this is little more than an informed guess, since no

statistics are yet available even for 1949. Revenue from the present tax on such profits will be in the neighbourhood of $590 million. An additional 5 per cent of this amount of revenue is about $29·5 million.

TABLE X

Special levy on corporate incomes
each 1 per cent on all corporate income..........$18,500,000

Note on method of calculation

Current corporation profits are again assumed at $1,850,000,000. 1 per cent of these profits is therefore $18·5 millions.

Note re tables IX and X

These are straight arithmetical calculations based on present corporate income. They take no account of the effect which higher taxes might have on corporate income itself. Because corporate income tends to be subject to relatively wide fluctuations it is also necessary to add a word of caution about using these figures in making forecasts of possible revenues in future years from this source.

TABLE XI

Tax on Payrolls (assuming perfect collection)
each 1 per cent on all wages and salaries $73,000,000

Note on method of calculation

Total wages and salaries paid, including employee contributions to social security, but excluding supplementary labour income such as employer contributions to pensions and to social security, is estimated by the Dominion Bureau of Statistics at $7,300,000,000 for the year 1949. One per cent of this total is approximately $73,000,000. Wages and salaries paid to farm workers and to domestic servants are included.

Department of Finance,
May 22, 1950.

Mr. Croll: Mr. Sharp, from your brief, can you easily tell us what one per cent on income tax, individual, corporations, and others, would bring us in any one year?

Mr. Fleming: Are we not going to have a page by page discussion?

The Chairman: I asked Mr. Sharp and he said he did not mind how we proceeded so I opened the meeting for questions.

Mr. Fleming: I just suggest we are going to be all over the brief if we jump all around these various tables. Could we not take the tables in order?

The Chairman: I am in the hands of the committe.

Mr. Croll: Mr. Chairman, some of these tables are informative but not pertinent. It seems to me this is the opportunity for us to get to the meat of the problem and let us leave the matter wide open so that one question may follow another and each one may in turn ask any question he or she desires. I think we ought to leave the questioning wide open. Mr. Sharp is well able to look after himself.

Mr. Fleming: It is not a question of Mr. Sharp being able to look after himself, it is a question of taking the tables up in the most orderly way. Every table is directed to the particular subject of enquiry and I think if there are some of these tables that are not pertinent we need not spend much time on them, but I for one have one or two questions to ask on some of these tables.

The CHAIRMAN: What is the view of the committee, I now have two opposite views? Does any other member wish to say what he thinks of it?

Mr. SHAW: Why depart from our accustomed procedure in taking this brief in orderly fashion?

Mr. ROBERTSON: I cannot see what is wrong with people asking questions as they come, following Mr. Croll's suggestion.

The CHAIRMAN: That is worse. I have now two against two.

Mr. FLEMING: You say, ask questions as they come to them.

Mr. ROBERTSON: Ask questions from any part of the brief.

The CHAIRMAN: Would you make a motion, Mr. Croll?

Mr. CROLL: We are not going to start arguing. As I say again, it just seems to me in the two hours that we have here with this very important witness there are certain things that appear to me to be important and others that are perhaps less important and I have two or three questions that I have marked down and I wanted, if possible, to get an answer to them.

The CHAIRMAN: Could I try to conciliate the two opposite views by starting on table 1, and, if necessary cutting down the discussion on the subjects that seem to be of less interest. How would that suit the members of the committee?

Mr. CROLL: Were you in the House yesterday when the Speaker conciliated between Mr. Gillis and Mr. Stewart? It sounds like that kind of a conciliation; he smacked them both down.

Mr. FLEMING: Are you on table 1?

The CHAIRMAN: Yes.

Mr. FLEMING: I have one question on table No. 1. Mr. Sharp, the second part of the table indicates that if you are permitting return of premiums where the contributor dies below the age of 65, the cost is less than where you permit no return of premium. I find it hard to understand why that should be so.

The CHAIRMAN: That table mentions the benefits, not the contributions.

The WITNESS: I think this table indicates the benefits that are available.

By Mr. Fleming:

Q. It is not the figure of costs.—A. No, they are all figures of benefits.

Q. That expression "with return of premiums" bothers me.—A. The return of premiums refers to the return of the premiums paid by the insured.

The CHAIRMAN: Any other questions on table 1.

By Mr. Benidickson:

Q. Could we have an explanation of this mortality table reference, mortality of annuitants, 1900-1920?—A. I may answer that by referring to page 2 of the memorandum. You will notice at the bottom of the large paragraph, the sentence:

> Until experience is gained after the introduction of universal old age pensions the choice of a mortality table is difficult, but the one used in these calculations should not be greatly out of line with the mortality to be experienced over the next few years.

We did, for the purposes of those calculations, use the same mortality table as was used for Canadian government annuities. I was looking at the evidence presented by Mr. Anderson and these mortality rates fall midway between the two tables that he presented.

Q. I was just wondering about it in view of the evidence we had about the increase in longevity.—A. These have been checked, I am given to under-

stand, by a foremost American actuary who found they were reasonable for Canadian conditions and present circumstances.

Mr. CANNON: I would like an explanation of the table, "Showing monthly pension which can be purchased beginning at age 65." Is that a monthly premium or an annual premium?

The WITNESS: A monthly premium.

The CHAIRMAN: Any other questions on table II?

Table III.

Mr. FLEMING: On table III, I gather that this provides only for those who contribute?

The WITNESS: That is right. Those are the rates as you can see from the second part of the table with return of premiums, that would be quoted to you if you bought a Canadian government annuity. In other words these are the costs taking into account these factors: three per cent interest, no loading for administrative costs, and basing it on the mortality tables we used.

These tables are put in here because I think they do give the committee some idea of what the approximate cost would be if they were considering a deferred equity system of financing. They are not necessarily the rates that would be charged because you might divide the payments between the employer and employee, you might have a government subsidy and so on, but these are the costs assuming these factors.

The CHAIRMAN: Table IV: "Yields of existing taxes."

Mr. CROLL: Mr. Chairman, would you permit me to ask what is an obvious question on table IV and then I want to relate it to table XI because that is the only reason I am asking the question.

The CHAIRMAN: I will give you some latitude, Mr. Croll.

By Mr. Croll:

Q. Mr. Sharp, can you tell us what one per cent on the income tax will bring in from individual corporations, and succession duty taxes?—A. Well, perhaps, Mr. Chairman, I can answer Mr. Croll's question this way: if you look at table VII, you will see there the yield of a one per cent tax on personal income, and in the note—

Q. Where?—A. At table VII page 9. —and in the note you will see that we used as a round figure of personal income a figure of $10 billion. That gives $100 million with perfect collection at a one per cent rate. If you look also at tables IX and X you will see a figure for a corporate income of $1,850 million. By adding these two figures together you will get approximately—

Q. What two figures?—A. $10 billion and $1,850 million. $11,850,000,000 of personal and corporate income. Now, I do not understand the reference to succession duties that is made there.

Q. I do not care about that, leave succession duties out of it.—A. Now, that is the figure you are looking for. You can calculate any percentage you like on that.

Q. I see, all right. Let me just follow that up by asking this question?

Mr. CANNON: Is that $11 billion or what?

Mr. CROLL: Let us call it $12 billion.

The WITNESS: The figure I was referring to was the total.

Mr. CANNON: Could it be $11 billion on page 9, or $1 billion?

The CHAIRMAN: No, no, it is the addition of the figure on table VII which figure is $10 billion plus the figure in table IX $1,850 million.

The WITNESS: I am very sorry Mr. Chairman, I made an error in putting those figures down. You cannot add these figures together, you have to take

off the dividends that form part of personal income. There is a duplicating figure there in the amount of the dividends. I can give you that approximately. The amount of dividends paid out was about $600 million to $625 million so in round figures it was $600 million, say.

By Mr. Croll:

Q. That leaves us $11,200,000,000?—A. That is right.

Q. And now, in table XI you say that one per cent on wages and salaries will bring in $73 million, is that correct?—A. That is right.

Q. Now, my question to you is—and you do the best you can with it, will you?—can you give this committee any enlightenment as to the effect upon the cost of living between a tax upon wages and salaries, a percentage tax, and a similar tax upon income—take two per cent, three per cent, four per cent or anything you like? What I am trying to get at is the effect upon the cost of living.—A. I think it is pretty clear that a tax on wages and salaries would have a very direct effect on cost of production. I would think if there were a payroll tax, paid by the employer, the tendency would be for it to be passed on in prices almost immediately. There would be certain deterring factors and this is one of the difficulties of payroll taxes: if they do not apply on imports, you put the local producer at some handicap compared with his competitors abroad. Similarly with respect to exports you have the effect of handicapping him in the export markets because it adds to the cost of production. However, I would think, in general, a payroll tax would tend to be passed on to the consumer and in that way it would have a direct effect on prices. It would not, of course, apply to everything purchased, it would only apply to goods and services that were taxed. It would not apply to rents except in so far as they reflect the higher cost of construction in houses. The tax on incomes cannot be passed along so readily. I do not want to get into a discussion of the incidence of income taxes, that is a complex matter, but in general you cannot pass along a tax on your income to anyone else except after a considerable period of time. It may hamper initiative but it has no direct or immediate effect. A corporation that is taxed on its income is still anxious to earn as much as possible even though its income is taxed. It does not necessarily raise its price because its income tax is higher. I would say the answer to that is that the direct and immediate effect of the tax on payrolls is greater with respect to the cost of living than a tax on income.

Q. May I ask you one more question? Will you give us your opinion on the incidence and fairness and the importance as between a flat tax and a graduated tax? Will you compare those two for me?—A. May I ask a question of Mr. Croll, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: For what purpose is the tax?

Mr. CROLL: Income tax, I am talking about income tax.

The WITNESS: For what purpose are you raising the tax?

Mr. CROLL: For social security.

The WITNESS: For old age pensions?

By Mr. Croll:

Q. That is all we are talking about. We are not raising the salaries in the Finance Department, so do not worry about that.—A. I listened to Mr. Anderson's evidence last week when he was asked the same question and he made the point that it partly depended on what you are raising the money for. That is why I asked you to clarify it. You were not asking me which kind of tax I liked best.

Q. Take a minute to talk about those two taxes. I think the matter of these two taxes is something which the committee will have to discuss sooner or later, and then discuss it with relation to this particular subject. Give us the benefit of your knowledge.—A. As between a proportional and a graduated tax upon income?

Q. Yes.—A. It is such a broad subject that I hardly know where to begin, Mr. Chairman. If you look upon a tax from the point of view of its effect upon distribution, I mean the re-distribution of income, if you look upon a tax as an instrument for that purpose, it is quite clear that a graduated tax is much more effective than a proportional one. Also, if you are looking at the effect of the tax upon spending and saving, a graduated tax presumably would have less effect upon spending than would a proportional tax, because under present circumstances, with differences of income as they are, there is a tendency for people with lower incomes to spend more of their income than those at the top of the scale. Those at the top tend to save more. So a proportional tax has a more immediate effect upon spending than does a graduated tax, assuming the total take of the two taxes to be the same.

I think that those are the two main points I wanted to make. When you come down to the question of putting on taxes for old age pensions, the question arises as to the fairness of the tax for this purpose. If you are providing a flat-rate benefit, the question one must ask himself is how much more should an individual pay by way of taxes than is sufficient to buy himself a pension of that amount. That seems to me to be one of the relevant questions. That question does not arise so sharply if you have a means test pension, because that is paid to people who, by definition, are unable to provide for themselves. It is a tax upon the rest of the population and you distribute it as you see fit.

If it is universally paid to everyone, then the question arises as to whether you should put a very high tax on anyone in order to provide a flat-rate pension. That is why I raised the question of what the purpose of the tax was. There may be other questions arising out of what I have said, and I would be glad to explain. But those are the comments I wanted to make.

By Mr. Fleming:

Q. In other words it is a question of policy, and of what you are trying to accomplish?—A. Yes, you must look at what you are trying to do.

By Mr. Knowles:

Q. It is also a question of any distinction you might or might not make between society's obligation to provide for national defence on the one hand and to provide for social security on the other. One philosophy might take one approach and the other philosophy might take another approach.—A. I quite agree.

By Mr. Croll:

Q. The situation, Mr. Sharp, that we have met time and again—and your department has made it:—is that an income tax is a method of redistribution of wealth.—A. It is.

Q. And in that you use a graduated tax.—A. Yes. And I should have added that there are limitations on the amount of graduation that you might have imposed. For example, take the effect it would have upon incentive. I think that was brought out during the war when, even with our best efforts, we never raised more than 50 per cent of the cost of the war by taxation.

Q. Do you remember the brief of the underwriters who suggested a maximum amount?

The CHAIRMAN: A ceiling . . .

By Mr. Croll:

Q. A ceiling. What are your views on that?—A. That is relevant to the question of the fairness of the tax. Is it right to tax a man far more than the amount which would enable him to buy a pension of that amount?

Q. But is not that the principle which we follow in taxation? For instance, take the man who has six children and the man who has no children. Do they not both pay the same amount of income tax?—A. No. They do not pay the same amount of income tax.

Q. No. One gets some exemption with respect to the other.

By Mr. Knowles:

Q. Take the case of a man who has no children but is in the same bracket as the man with six children. The first man will pay more for national defence? —A. Yes.

By Mr. Fleming:

Q. If you consider school taxes you get into the realm of provincial taxes, where there is a very different tax base, and it is hard to compare them.—A. Yes.

By Mr. Knowles:

Q. I mentioned national defence because we are talking about something which is in the same field—I mean the federal field—old age security. And as I see it, there is just as much obligation upon our economic structure and upon society to provide social security as there is to provide national security. Is there not ground for arguing that the basis for collecting the tax for those two things should be the same?

Q. Thank you.—A. It depends on what your definition of "minimum" is.

Q. I think you and I could get together on that.

Mr. Croll: Yes, but upon your terms.

Mr. Fleming: The lion and the lamb lying down side by side, only the lamb is inside the lion.

Mr. Knowles: We both come from Winnipeg you know!

By the Chairman:

Q. Don't you believe there is even more to be said in favour of the proportional tax if there is a system of recovering the amount of benefits to be paid to people over a certain age through income tax?—A. Yes. You are really doubling the burden on a wealthy old man, in not only requiring him to pay contributions at a very high rate during his lifetime, but also in taking away from him the benefits at the end of his life.

Mr. Croll: You punish him for having provided in his younger days for other people.

By Mr. Knowles:

Q. I noticed, Mr. Sharp, that you refer to graduated income tax almost exclusively as a means of redistributing wealth. Might it not be also described as a means of distributing the burden of national expenditures?—A. Perhaps you would be good enough to clarify your question?

Q. I am thinking of national defence. The taxes which we pay for national defence are hardly a redistribution of wealth. They represent the distribution of the cost of national defence according to the ability of the people to pay.—A. A proportional tax is proportional to your wealth. We were talking about the difference between a proportional tax and a graduated tax. With a propor-

tional tax the wealthy man pays more than the poor man. The question we were talking about was: What are the relative merits of the two approaches? I think it is probably true to say that in a sense the wealthy man benefits more from national defence than does the poor man because the wealthy man has more to protect.

Mr. CROLL: That is a good answer. And if you follow on, does not the wealthy man always pay more? I mean under ordinary times, does he not always pay more because he has it? Does it not follow?

Mr. MACNAUGHTON: Because he has it or because he creates it?

By Mr. Croll:

Q. I am not so sure about the creating, but because he has it to pay.—A. He does because it is relatively easier to collect.

Q. Then we should not be far wrong, it seems to me, if we followed the same principle with respect to social security. We would be following pretty well the laid-down principle of any governmental taxation.

Mr. BENIDICKSON: There is no question there. Mr. Chairman, this is a different class of witness than we have been hearing before, and I think we should be very careful in asking him questions. I think we should refrain from asking him for views, and that we should try to ask him to give economic and taxation principles.

Mr. KNOWLES: Might I ask Mr. Sharp if he regards it as a sound principle to go in for a graduated tax for the provision of a minimum of old age security?

Mr. FLEMING: What is the minimum?

By Mr. Knowles:

Q. I am sticking with Mr. Benidickson and his principles—A. I think I can say as a fact that we now provide old age pensions out of our taxation system, part of which is graduated and part of which is not. You have a choice here of how you want to raise the money. You have now a system of taxation which is progressive. All you do when you add new taxes is to modify the incidence of all the taxes. You are not starting de novo and having only one tax. We now have a series of taxes running all the way from a sales tax up to a graduated income tax.

Q. Whatever aditional tax may be added as a result, that tax only modifies the total tax?—A. That is right. It only modifies the existing tax structure.

By Mr. Ferrie:

Q. What about an income tax or a sales tax?—A. I do not know whether they fall into the category of one of these questions which Mr. Benidickson thinks I should not answer. I do not think I should be expected to say what I think about those kind of questions. I am, however, quite willing to answer. Perhaps the question could be put in some other way.

By Mr. Fleming:

Q. One witness last week, in touching upon this question of preference for raising money to meet old age pension needs out of the kind of taxation we have now as against a direct tax, referred to those who prefer a direct tax as being juvenile in their approach to this question. Have you any comment to make on that preference?—A. The man who made it is a very good friend of mine.

Q. Yes, and he is a very good friend of mine too. I want him to hear your answer.—A. I did make a comment which was perhaps not quite on the point in my prefatory notes when I said, at the bottom of page 1:

> The fundamental characteristic of a 'pay-as-you-go' system is that those who are working pay the cost of providing pensions for those who have retired. The financing of a 'pay-as-you-go' system is a matter of distributing the current cost of pensions over the population in what is considered to be a proper way. In other words, it is essentially a revenue problem, even though the scheme may be 'contributory' in the sense that it is paid for in whole or in part by a special levy or contribution.

As a matter of fact, when I was drafting that, I had in mind just the sort of consideration which was in Mr. Davis' mind and that is: what you are to look at is the total cost of the system, and the proper way of distributing the burden over the population.

If you ear-mark some part of the tax, I think it has what Mr. Davis called a psychological or political value. It isolates that particular cost and shows it in its relation to the individual taxpayer in a more direct way than merely adding something to the income tax or adding something to the sales tax or adding something to the corporation tax. I do not want to comment on the particular words that he used, but I think that such ear-marked taxes are meant to have an instructional value.

Q. You do see some value in that?—A. I do, yes.

By Hon. Mrs. Fallis:

Q. How would you suggest that we collect the tax from people who have never paid income tax, if it is to be a direct levy?—A. If you will look at my table 7 on page 9 of this memorandum, you will see a note put in which reads: "assuming perfect collection".

I thought it well to indicate some of the difficulties that would arise if an attempt were made to collect a levy on all forms of personal income; and I picked out some of the implications. You would have to tax earnings of messenger boys, casual earnings and minor investment receipts of housewives who are now exempt; the value of farm products consumed by subsistence farmers who have little cash income; small earnings derived from the letting of rooms and taking in of boarders; income from spare-time work of wage and salary earners, and so forth. We in the department feel that it would be an enormous task.

Q. It would be impossible, in other words?—A. I hesitate to say that, but I think it would be an enormously costly tax.

The CHAIRMAN: That is a very good reason for having exemption levels out of any social security tax, exen though the levels be lower than the present income tax levels.

By Hon. Mrs. Fallis:

Q. I think they would have to be.—A. I do not know about that, it depends on what the purpose of the tax is.

The CHAIRMAN: For old age security purposes?

The WITNESS: Administratively, it is most desirable to avoid these problems; although it may be desirable to try to collect it on every dollar of income.

By Hon. Mrs. Fallis:

Q. I think it is desirable, but I cannot see how one would go about it to force these people to pay.

Hon. Mr. FARQUHAR: Possibly quite a few pay through the tax on alcoholic beverages.

Mr. FLEMING: Before you leave table 7, Mr. Chairman—

The CHAIRMAN: Go on, Mr. Fleming. I thought that may be the members would have more questions to ask on table 4. We were on table 4 but of course I am in the hands of the committee; and if the committee wishes that questions be put on any table, I am prepared to let it go that way.

Mr. FLEMING: Go ahead and call them, Mr. Chairman. I am quite prepared to wait until you call table 7.

The CHAIRMAN: Please, go on, Mr. Fleming.

By Mr. Fleming:

Q. On table 7, Mr. Sharp, you have given us a maximum of \$50 and a maximum of \$25. What period would that cover?—A. That is in a year.

Q. \$50 in a year as a maximum?—A. Yes.

Q. Have you got calculations for a higher maximum contribution?—A. The reason I put \$50 and \$25 as maxima was because I used a 1 per cent tax. If you talk about a tax of 2 per cent or 3 per cent, it is necessary to raise those maxima correspondingly in order to get a multiple of the figures shown in the table. For example, supposing you were trying to calculate the yield of a 2 per cent tax on all personal income with a \$100 maximum you would look at the figure under the \$50 maximum and you would multiply that by two. If you wanted to get the 2 per cent tax with a maximum \$50 you would look at the figure under the \$25 and you would multiply that by two. In each the maximum would be increased proportionately.

Q. It is done as simply as that?—A. That is right, and that is the reason I put these low maximum figures in.

Q. And I presume you would do the same with regard to the various bases under the first column?—A. Yes.

Q. For this purpose do you include the usual deductible exemptions which apply under income tax?—A. For this purpose we allow, for instance such things as medical expenses and pension contributions into an approved pension plan and all similar exemptions which are now allowed under the income tax, but not the exemption for children or marital status at all.

Q. Then we have to raise, for the purposes of this table, the deductible exemption made from \$750 or \$1,000 in the first half of this?—A. It would be impossible to do that without a recalculation of the results.

Q. Have you estimates made of those?—A. No I just did the calculations there for the \$250 and the \$500. That is why I said at the outset that I would be very glad to have any further calculations done.

Q. Personally I would like to see the probable figures of the deductible exemptions for \$750 and \$1,000. I think the latter one would be a good example; and then, under exclusions, could you make calculations over the same spread of calculations, taking the exclusions on \$500, on \$750, on \$1,000—and would you also care to make the calculations with regard to the \$1,250? Or, you did not make one for the \$250 comparable to the deductible exemption—it might be worth while to have that.—A. If you will look at the figures, Mr. Fleming, you will see a note there that exclusion means persons with incomes equal to or less than \$500. The percentage of reduction is very small.

Q. This is based on deductible exemptions and the other is based on exclusions. Have you any preference to express from an administrative point of view in respect to the collection or the administering of it for tax purposes?—A. With respect to the exclusions you have a notch problem which means that at the exclusion level you tax every dollar of income. There is no incentive to anybody to earn a dollar more until they get up above the notch. You may also

have to put in a variation to collect only a proportion of the tax or something like that. That is the notch problem. An exclusion also means that there is a tremendous incentive to keep just under the exclusion level, because there is no tax until you get above that and then there is a tax upon all your income.

Q. You add that in connection with the earnings of married women?—A. That is right.

Q. You would say then that in your view the basis of deductible exemption is fairer to the taxpayer and administratively much more practicable than the exclusion method?—A. I think—that is my personal opinion, I would hesitate to say that it is departmental opinion—but it is my personal opinion.

The CHAIRMAN: Can you give us the same figures for all income less the deductible exemption of $500 for single persons and $1,000 for married persons.

Mr. CROLL: Why have it on the $250 the $500 and the $1,000, could we have it for the $1,250 and the $1,500 for married people?

The CHAIRMAN: I said $500 and $1,000.

Mr. CROLL: Yes, and $1,250.

The CHAIRMAN: And how much for single people?

Mr. CROLL: I am leaving the single people alone, I am talking about the married people now, the $1,250.

The CHAIRMAN: Instead of $1,000?

Mr. CROLL: Yes.

The CHAIRMAN: I see.

Mr. FLEMING: As I understood it this statement was based on married people—

The CHAIRMAN: Yes, would you let me finish my question, Mr. Fleming?

Mr. FLEMING: I am sorry.

The CHAIRMAN: I asked for the figures for $500 single and $1,000 married, Mr. Croll wants the answer for $1,250 married, and the $100 per child. That is the first question. The second question is, under the exclusion method—

The WITNESS: Those figures you have been giving me relate to the deductible exemptions ?

The CHAIRMAN: Yes. Now, I want the same for exclusions. Could you supply us with that information?

The WITNESS: It would take a matter of days.

The CHAIRMAN: Oh yes, I know, but you are coming back next week, Mr. Sharp.

Mr. FLEMING: You said $500 and $1,000, were you thinking of $500 single and $1,000 married?

The CHAIRMAN: Yes, and with that the $1,250 for married people as asked for by Mr. Croll.

Mr. CROLL: I said $750 single and $1,250 married.

Mr. FLEMING: And also the figure for the $750 and the married people, $1,500.

Mr. KNOWLES: Are you asking for it both on the deductible and on the exclusions?

The CHAIRMAN: Yes, I want to know what it is on the $500 and on the $1,000—that is $500 single and $1,000 married under both systems; and, second, on the $750 single and the $1,250 married under both headings.

Mr. CROLL: That is right.

The CHAIRMAN: And my third point in both instances was to add the $100 per child.

Mr. FLEMING: Would you add to that the $750 single and the $1,500 married?

The CHAIRMAN: I believe Mr. Sharp has it all; we want the whole of it.

Mr. FLEMING: There is a lot of arithmetic to be done there, Mr. Chairman.

Mr. KNOWLES: May I ask Mr. Sharp a question about this table on page 9? On a first look at it I am a little amazed at the difference there is there between the figure for all income less the deductible exemption of $500—$74·3 million and the next figure of income exclusion of $500 gives you $98 million. I take it that that is because a person with an income of $600 in the first case would simply be paying 1 per cent on $100.

Mr. CROLL: No, no.

The WITNESS: That is right, in the first case, you deduct the exemption.

By Mr. Knowles:

Q. And in the second case it would be 1 per cent of the total $600, or is the percentage based on the amount above $500? Now, the difference between the $74 million and the $98 million might be just at that lower level, or is it meant to be right across the board?—A. The reason for the relatively small result for the exclusion of the $500 is a reflection of the fact that practically all people in the country earn more than $500 a year. All that you would get below the $500 is a relatively small group of people who are not fully employed, and you get messenger boys and classifications of that kind earning less than $500, and it is very difficult to find out very much about their income. You will see that that suggests the total income to be expected from all the people who earn less than $500 a year would be only about $200 million out of a personal income of some $10 billion.

Q. $200 million out of—what amount did you say?—A. $10 billion, and I am inclined to think after going through these figures that the $98 million or the 98 per cent figure might in fact be exaggerating the importance of the incomes under $500. That is the attitude I take towards that figure as a statistician. It probably overstates the loss resulting from the exclusion.

The CHAIRMAN: So it would be on the low side?

The WITNESS: That is right, the 98 per cent would be on the low side.

Mr. KNOWLES: Then the figure of $3 million with the exclusion of the $500, and the $750, is due to the fact that there are not very many incomes earned on that basis?

The WITNESS: That is right.

The CHAIRMAN: Then when you get to an exemption of $1,250 and $100 per child, you run into a loss.

The WITNESS: Yes, a very heavy loss.

By Mr. Fleming:

Q. On table VIII, page 11, Mr. Sharp, where you have taken these average percentages and say that the sales tax yield at 1 per cent is $50 million, have you taken into account anwhere the fact that with the raising of the tax you will actually reduce production and consumption and in that way run into diminishing returns on your tax?—A. That is the reason I put in at the top of that table "assuming no change in levels of consumption."

Q. How far do you think you can go in making that assumption?—A. Certainly not to an unlimited extent. I would not be prepared to say how far.

Mr. CROLL: And that would no doubt be somewhat comparable to the situation in the provinces where that sort of a tax has been tried.

The WITNESS: Part of the answer lies in the taxes which have been put on by certain of the provinces, but it is hard to say just how far one could go.

Mr. CROLL: There are one or two questions we would like to have you discuss. You see, we are taking advantage of your position here to ask an expression from you of your own personal opinion on this matter of sales tax as compared to other taxes. You must have some opinion on that subject, and it would be of assistance to this committee if we could have the benefit of an expression of your views.

The WITNESS: I might amplify by referring to table VIII. One interesting thing about this table is that it relates to your question on the impact of the sales tax, particularly the fact that it misses a wide range of consumable articles. For instance, if you will look at the page which follows the table you will see that there are six major categories of goods not presently subject to the sales tax. The volume of sales under that heading amounting to $1,480 million would produce a considerable return. With regard to food stuffs, only a few items are now taxed, we do not tax fuel, and there are a great number of other commodities to which the tax does not apply. So you see that the sales tax is not by any means a universal tax on consumption, or spending.

Mr. FLEMING: I think in making that comment you have in mind what Mr. Anderson said last Friday about putting a tax on consumption—

The WITNESS: Yes, I know that Mr. Anderson made some comment on it when he was before the committee and he said he thought—I can't recall his exact words—that the present sales tax was something in the nature of being a proportionate tax on income in its general effect. Whether that is true or not—I am not as confident as Mr. Anderson—whether that is so or not, I do agree that it is not as regressive as some people think it is.

Mr. CROLL: Would you give that as your opinion?

The WITNESS: Yes. It seems to me there are some interesting observations to make in comparing a sales tax with a payroll tax. A payroll tax differs from even a universal sales tax in several respects. A payroll tax does differentiate between employers as between those who have relatively high labour content and those that have a relatively high capital content. It imposes a relatively heavier burden on employers with a high labour content. There are some other interesting differences. Since the payroll tax is placed on all exports, it enters into the cost of producing goods for export. The sales tax is rebated. Now, a sales tax may have some effect on increasing the cost of living internally, thus affecting the wage rates, but it does not have the same direct effect a payroll tax has. Similarly, on imports, you can tax imported goods by a sales tax whereas you cannot tax them by a payroll tax, unless you have a compensating tax to offset the payroll tax. The reason that I made the comment at the beginning about the sales tax really was to explain in reply to Mr. Croll that it depends on what kind of a sales tax you are talking about. If you are talking about a sales tax of universal application, the comparison between that and the income tax is one thing. If you are talking about the difference between the sales tax as we have it today and the income tax—it is not a question of comparing a regressive tax with a progressive tax.

Mr. CROLL: You spoke about a universal tax, I take it you had in mind a tax which would cover the full range of commodities to which you made reference a moment ago?

The WITNESS: Yes.

Mr. CROLL: That is not what I had in mind. What I had in mind was to compare that with our sales tax as it exists at the present time.

The WITNESS: Well, the other comment—I do not like to be drawn too far into this discussion because these are largely matters of policy—however, I think if you are looking for a tax that can be collected from everyone you certainly can collect it more efficiently with a sales tax. The question is to decide whether that is the fair way to collect it; and that again raises the question of what the incidence of the tax is on the public at large.

Mr. CROLL: That is what I am asking you, what you say would be a fair tax. You have this tax problem constantly before you and you see this problem arising constantly every year or every couple of years. Now, give us some enlightenment on this business. Can you tell us why so many people object to the sales tax; is it because it is wrong; is it because of the method of collection? If you feel any embarrassment don't answer. We are just trying to get information.

The WITNESS: I find that question very difficult to answer, Mr. Chairman.

Mr. LAING: Would Mr. Sharp have before him the answers to the questions that were asked him?

The CHAIRMAN: Would you let him finish this first and then I will give you the floor?

The WITNESS: Taxes are not only economic questions but political questions as well, and I think you should not ask me to answer political questions.

Mr. CROLL: That is all right. Don't answer it.

The WITNESS: I do not think that I should be drawn into an argument of that kind, if you don't mind.

By Mr. Ferrie:

Q. I wonder if Mr. Sharp has the figures on the difference between the exemptions from the sales tax and the commodities not exempt from the sales tax?—A. I didn't cover that here.

Q. Can you give us the exact amount of the difference between the commodities exempted and those that are covered?—A. That would involve a considerable amount of additional work.

The CHAIRMAN: If you were to take the figures in your memorandum that would give you the approximate figure. Commodities to the value of 5 billion are taxed, and to the value of 3·8 billion are tax free.

The WITNESS: That is right.

The CHAIRMAN: That is a quick calculation, but it gives you about the amount of 8·8 billion.

By Mr. Fleming:

Q. Mr. Sharp, may I ask you to compare from the point of view of yields and administrative ease the two kinds of sales tax, the one on the manufacturers' level like the one we have now and the other like the one at the retail level such as the luxury tax that was in effect up till a couple of years ago?—A. Well, I am not a tax collector, Mr. Chairman, I am in the Department of Finance where we are concerned with policy matters but I am told by those who administer these taxes that they find the retail tax very cumbersome and very difficult to administer.

Q. That probably is illustrated by the fact that that particular tax was eliminated for one at the manufacturers' level?—A. That is true.

Q. How do you relate that to the view you expressed earlier about the desirability of consciousness on the part of the contributor of the fact that he is making contributions?—A. I suppose it rather refutes the earlier statement I made in the sense that in this case the administrative efficiency overrode the other considerations. However, it does seem to me in dealing with social security matters you have a particular benefit that can be related to the particular tax. When we had these particular taxes on luxuries and so on, it was for general revenue for war purposes, and it was not nearly so important at that time to relate any particular benefits to any particular tax. As a matter of fact there was no point to it. It was a problem of getting as large a revenue as possible without interfering with the incentive and in such a way as to benefit the general economy.

Mr. BENIDICKSON: In fact, you were pleased if it decreased the production in those years.

The WITNESS: Yes, quite.

By Mr. Fleming:

Q. I did not quite follow what you meant when you spoke about relating the particular tax to the benefit. How is that related to our problem, in your mind?—A. The particular question you asked me was did it seem that since we had reverted from a tax at the retail level to one at the manufacturer's level, we preferred a tax at that level. In fact we did not think there was very much point in having the consumer conscious of the tax he was paying. It was during war time and it was necessary to raise the revenue in the best way possible.

Q. You do not want to comment on the subject of a tax at the retail level beyond what you have made?—A. No, I think the Dominion government found those taxes rather inefficient and cumbersome and prefers, if there are going to be taxes on consumers to put them on at the manufacturers' level.

Q. You no doubt have studied the problem and the mark-ups that go on the tax when it is imposed at the manufacturers' level and is paid by the consumer as a good deal more than the tax that the government collects from the manufacturer?—A. Yes, I am aware of that.

The CHAIRMAN: Is this marking up as true you think it is in a competitive market?

The WITNESS: I do not know the degree of importance Mr. Fleming attaches to it.

By Mr. Fleming:

Q. In the ordinary course when you impose a sales tax on the manufacturer it is passed on to the wholesaler. He has a mark-up rate of 20 per cent so his mark-up will contain a 20 per cent increase on the 8 per cent sales tax that he already has paid. Now, the wholesale passes that directly to the retailer in his price and when the retailer gets that he puts on it his mark-up rate of 50 per cent which is calculated not only on the cost of the goods but is also calculated on the 8 per cent sales tax plus 20 per cent, plus 50 per cent mark-up.

Mr. MACNAUGHTON: Only you can understand that, Mr. Fleming?

The CHAIRMAN: I understand, Mr. Fleming, that in a competitive market this marking up is not as important as it seems by the lot of figures that we have had right now from you.

Mr. CROLL: Mr. Chairman, we are getting at ways on how to find taxes for social security.

The CHAIRMAN: Would you care to comment, Mr. Sharp?

The WITNESS: The only comment I would like to make is that competition must limit that kind of thing. I am not an expert but surely there is competition between these merchants and it is not possible for the manufacturer and the wholesaler to do just what ever he chooses. I do not know how much it adds to the cost to the consumer. I have no idea. I have never seen any studies that convinced me one way or the other.

The CHAIRMAN: We must be very careful about making straight additions and multiplications as you did, Mr. Fleming.

Mr. FLEMING: The witness asked me for an indication of what I meant, and I gave him the best example I could think of in an actual case.

Mr. SHAW: Mr. Chairman, would Mr. Sharp feel that if the sales tax were made to apply on all commodities as suggested here that it would bear

more heavily on the lower income group than upon the higher groups, because of the larger proportion of income being spent for such things as fuel and food?

The WITNESS: I will just say one thing before I answer that: you use the word "suggested"—there are no suggestions here as to taxes that ought to be put on. Apart from that I agree with you.

By Mr. Knowles:

Q. In other words, Mr. Sharp, you defend the sales tax presently in effect from which $400 million is collected as being not as regressive as some of us contend. But if you were to remove the exemptions and gain an additional $300 million thereby then the sales tax would be regressive.—A. I think you could say that.

Q. I would say it most definitely.

By the Chairman:

Q. Mr. Sharp, was there not a tax on fuel a few years ago?—A. One of our tax division staff is here. Perhaps he could answer that.

Q. Mr. Smith, did the sales tax apply to fuel?—A. Yes, it was only recently removed from fuel oil, for example.

Mr. LAING: I think that was excise.

Mr. SMITH: The sales tax is an excise tax.

Mr. SHAW: Didn't it once apply to electricity.

Mr. SMITH: Yes.

Mr. LAING: It was not on a percentage basis, it was a gallonage basis, is that correct?

Mr. SMITH: There was an excise tax on gasoline on a gallonage basis.

By the Chairman:

Q. Mr. Sharp, what would be the economic effect of putting the sales tax on building materials, for instance? I am taking it as an example there.—A. One effect certainly would be to increase the cost of construction.

Q. I know that, but the economic effect?—A. One of the purposes of—

An Hon. MEMBER: We canot hear, Mr. Chairman.

The WITNESS: You will notice that the sales tax does not apply to any production goods as such and that is one of the reasons why building material is included here; although it is not entirely used for production. It is partly used for house building, and it was taken entirely off of construction materials.

By Mr. Croll:

Q. Of course, the first suggestion that we canvassed, the two per cent payroll tax, would include everything.—A. Everything.

Q. As you put it, it is a direct cost on production?—A. That is right.

By Mr. Ferrie:

Q. Is it possible, Mr. Chairman, to put a tax on straight production?—A. I am not quite sure what you mean by production, Mr. Ferrie.

Q. All forms of production.—A. You mean of income?

Q. On the raw material.—A. If you mean a tax on all raw materials entering into production, what about the labour content and so on, do you include that?

Q. No, leave that out.—A. You could put such a tax on and it would enter into it as an addition to the cost of those articles.

Q. Could you put it on without having it enter into the cost of the article?—A. I cannot think of any way of doing it. A tax on income might be difficult to pass along, but that is not what you have in mind, I guess?

By the Chairman:

Q. I do not want to make a calculation but what would be the total sales price of the goods on which a sales tax applies?—A. About $5 billion.

Q. So if the sales tax were applied all across the board it would be on a total value of goods of $8·8 billion?—A. That is right.

Mr. FERRIE: A sales tax across the board is a very vicious tax. Mr. Fleming explained just exactly what happens in the case of a sales tax. It just keeps rolling on and you do not receive the tax, but what I am trying to get at is we in the West have a real tax, it is a tax that goes right to the source and costs very very little to collect. It is a tax that is taken from the farmer, under the Prairie Farm Assistance Act; one per cent is taken off of his cheque right at the source. If you levied the tax on the actual commodity when it is produced you would have a tax that would reach everybody?

The CHAIRMAN: You are talking about what you would call a production tax, Mr. Ferrie?

By Mr. Ferrie:

Q. Yes, that is a kind of production tax, but it is to try to get a tax at the source that you cannot hand on to somebody else. Would you comment on that?—A. The P.F.A.A. tax. As I recall it, falls on the farmer, it is a deduction from his income.

Q. Yes, it is a deduction from his income, it is a deduction from his cheques, it is not a part of his income tax. It is deducted from his income right at the source.—A. Yes, but it is a tax on his income, and it is on his gross income.

Q. But he cannot pass it on to anybody else. It is there and it is paid into the treasury of the country. Now, can you do that on iron ore?—A. Yes, I imagine that you could, if you wanted to put a tax on the sales of all these things.

Q. Would that not be a fair tax to all, if it could be applied?—A. I hesitate to say that. As I understood the P.F.A.A. which you have given as an illustration, it was intended to be a premium more or less for the insurance that is available under the P.F.A.A.

Q. But it is still fair and just. It is a just tax. You are putting a premium on the other stuff for the old age pension, you are giving the people something that they really and truly buy; but there are so many many people that do not contribute anything. The main point is, though, we do not want to have a tax so high that it will stop production.

The CHAIRMAN: How would you collect from me on my production as a lawyer?

Mr. FERRIE: On your wages.

The CHAIRMAN: I have no wages.

Mr. FERRIE: Well, I would leave that to the tax department.

Mr. CROLL: Who says you are producing, Mr. Chairman?

The CHAIRMAN: That is why I said "my production".

By Mr. Ashbourne:

Q. Mr. Chairman, would Mr. Sharp care to comment upon the imposition of a surtax on customs duties, whether or not it would contravene any of the agreements such as the Geneva Agreement, and whether it would be difficult to

administer, to collect?—A. I think Mr. Chairman, that a surtax on existing customs levels would be tantamount to an increase in the customs duties. That is what you are proposing, I assume? You mean all customs duties would go up by x per cent.

Q. What I mean would be that there would be a surtax which would be earmarked as a contribution to old age security and also I asked whether or not it could be collectable without much extra work?—A. Then you would apply a surtax on existing customs duties? And then how would you impose a percentage tax on local production?

Q. I cannot say. I am just asking for information what the difference was, if you care to comment?—A. I believe it would contravene our trade agreement, that is my answer to your first question; secondly, I doubt if it would be a fair way to get revenue. That would be a personal comment.

Q. That would be on customs?—A. Customs.

Mr. BENIDICKSON: We would have to just about double our customs duties to get all the money we are looking for.

Mr. ASHBOURNE: I thought about ten per cent as a surtax.

The CHAIRMAN: Do you have any other questions, Mr. Ashbourne?

Mr. ASHBOURNE: I was seeking information, because I know in Newfoundland particularly during the war we did have surtaxes there and for a while they were $7\frac{1}{2}$ per cent and then these were gradually reduced. They brought in a lot of revenue.

Mr. SHAW: Mr. Chairman, this information with respect to sales tax is extremely interesting and I have been trying to frame a question to direct to Mr. Sharp but I still cannot do it and be fair to him, but I am just going to say that I am convinced that the Canadian public would resist that method of financing very, very strongly.

The CHAIRMAN: Mr. Shaw, that is your personal opinion and I believe sincerely that you should express your opinions when the doors are closed.

Mr. SHAW: Then I will ask Mr. Sharp this question: does he feel that the Canadian public would accept a sales tax based on that entire range of commodities even for social security purposes? Now, I had to put my question— —

The WITNESS: I think, Mr. Chairman, I will just have to ask the members here who are much closer to public opinion than I am what their view would be.

By the Chairman:

Q. May I refer you, Mr. Sharp, to page 13, table IX,—would there be a difference in the effect on incentive between a surtax and an increase in the tax? I am talking about corporate income tax now.—A. No. I think it has a slightly different effect. As you know, we now have two rates of tax, we have a rate of 10 per cent on the first $10,000 and 33 per cent on the amount over and above that, so that a surtax leaves the relation the same, whereas if you add a percentage you raise the 10 to 11 nd the 33 to 34 per cent. You would alter the reltaionship, I think that is the answer.

Q. Do you not think that a surtax yielding the same sum as the increase in tax I am talking about would have a milder effect against incentive?—A. It depends on whose incentive you are talking about, whether it is the big corporation or the small one.

Q. I am more concerned with the incentive in small corporations than in large corporations, and this for obvious reasons that you will appreciate.—A. I think the increase in rates would have a greater effect than just a percentage surcharge.

By Mr. Richard:

Q. Have you ever given any consideration to what might be raised by a capital gains tax?—A. No, I have not thought particularly about it, not for this purpose.

Q. In the United States they do have a tax like that; they tax capital gains, do they not?—A. Yes.

Q. How does it compare there with the income tax?—A. I am afraid I have not that information available.

By Mr. Benidickson:

Q. Has the department any information about capital gains on which they could make calculations?—A. No, we have not. As you know we do not tax capital gains here and I think the minister made some reference to that in his last budget speech. We certainly have done no studies recently on the question.

Q. With respect to table No. X, I note it says that each 1 per cent on all corporate income would yield $18,500,000. Is that income or is it taxable income for a profit?—A. All corporate profits are taxable. These are their profits. That is, any company that has losses has no profits and nothing to tax.

Q. Taxable income?—A. Well, yes, it is the same for a corporation, profits are what are taxable.

By Mr. Laing:

Q. Mr. Chairman, I think Mr. Sharp has prepared some material. In reporting to us again, there is one matter I would like a further report on. I would like some information on the loss to the Treasury from payments towards pension schemes and deduction from income tax for the private pension schemes, currently and for recent years, if that is available, I want to have the extent to which the Canadian Treasury is losing out by deduction for income tax purposes on all the private pension schemes in Canada, and in addition to that the payments out of the Treasury towards the civil servants' retirement.—A. Would you like that for both companies and individuals?

Q. I do not think it matters how it is broken down.

Mr. CROLL: It does for me; break it down, will you, for both?

Mr. LAING: Can you give us that for several years back? I am of the opinion that the Canadian taxpayers as a group are already paying very very heavily towards retirement schemes for a portion of our people now. I would like to know what the sum is.

Mr. BENIDICKSON: In forsaking taxes?

Mr. LAING: Yes, and for payments out.

Mr. CROLL: The payments out are for civil servants.

The WITNESS: I will get this information, Mr. Chairman. I do want to draw attention to certain published information on the subject: In the taxation statistics put out by the Department of National Revenue in 1947 individuals claimed as deductions for pension fund purposes $51 million approximately.

By Mr. Laing:

Q. That is individuals alone?—A. Individuals alone claimed that amount of deductions.

Q. Have you any figures on corporations?—A. I doubt very much whether that would be shown.

Q. Would you think it would be a less sum or a greater sum?

The CHAIRMAN: It would be less.

Mr. CROLL: It might be about the same.

Mr. LAING: Will you get that? Would it be possible to have it for several years?

The WITNESS: Those statistics have only been prepared in the last few years, in the last four or five years.

Mr. CROLL: Will you get the figures for two or three years, Mr. Sharp? They are easily available, are they not?

The WITNESS: Most of them are, I think.

The CHAIRMAN: The other day, Mr. Sharp, I gave you a series of questions which had been asked by Mr. Cannon on the possibility of recovering pension payments through income tax if there was a universal pension plan.

The WITNESS: Well, I did a little work on that, Mr. Chairman, and found that the available material is very scanty on which to make an estimate. We do not ask income tax payers what their ages are.

By Mr. Benidickson:

Q. I did not get that remark.—A. We do not ask income tax payers what their ages are except those who claim the special exemption which is granted to individuals of age 65. The Department of National Revenue and ourselves have looked at the returns for the year 1948 and it would appear that the cost of that special exemption which is $500 a year, is of the order of $7 million to $10 million. We are not quite sure. It is very very difficult to know exactly the effect because you have not only to calculate the reduction in taxable income of those who are taxable but, also, how many other taxpayers there would have been if it had not been for $500 exemption.

But as closely as we can figure out, the cost of the special exemption of $500 is between $7 and $10 million, that was the cost when the basic exemptions were $750 and $1,500, in 1948. This illustrates how confused this problem is. It is not an easy one to get an answer on. That amount is approximately the recovery I would imagine that would result from withdrawing the special exemption, if we were still at those old levels of basic exemptions. Now what the effect has been of raising the exemptions to $1,000 and $2,000 and changing the rate structure is anybody's guess. We are hesitant to place at the moment a figure on the amount of recovery. I have persuaded myself that the amount will not be very large. There were in 1948 85,000 taxpayers who claimed this special exemption.

Q. 85,000?—A. 85,000, yes. But this is a question we would like to do a little more work on and see if we could arrive at something that would be useful to the committee.

By Mr. Cannon:

Q. That is not exactly what I asked. Have you a copy of my questions before you there?—A. Yes, I have.

Q. One thing I asked you was how many taxpayers 70 years old and over are recorded in the year 1949—if you haven't got that figure perhaps you could give it to us for 1948—the number taxable $500, $1,000, $1,500 and $2,000 and over; the idea being to get an idea of how much we could recover if we said to them that all persons receiving old age pension over 70 having taxable incomes over $500 would have to refund $100 of their old age pension. That was the idea, that the difference would be recoverable if we put in a provision of that kind.—A. In other words, what you mean by that is there should be a means test?

Q. Well, it would not be the kind of means test we have now, but it would mean that we would not approve of a person who has $500 of taxable income

being exempt and getting the full old age pension.—A. You would agree that is a means test at a higher level?

Q. Yes, in the higher brackets.—A. That is right.

The CHAIRMAN: In other words, if he applies for the old age pension and receives it he has to give it back.

Mr. CANNON: Yes, he has to give it back.

The WITNESS: Well, as I say, we do not know what the age distribution of our taxpayers is so we cannot say anything more as to what the effect would be on age 70. If you were talking about age 65—

Mr. CANNON: I have a distinct reference there to the 65 group.

The WITNESS: The only thing we have been able to get so far is a 10 per cent sample from one of the tax offices. I have some figures here which indicate the income distribution of that small sample of taxpayers over 65 in the Toronto district. I think it might be helpful to put this into shape so as to provide the information for the committee in one way or another. It may give you some information that you are looking for.

Mr. CANNON: Thank you very much.

Mr. CROLL: Mr. Chairman, there were some questions asked I think by the chairman, and other members of the committee, to be answered by Mr. Sharp and the Finance department. Are the answers to those questions ready yet?

The CHAIRMAN: That is what I was just discussing with Mr. Sharp; I was asking him when we could expect to obtain the answers.

Mr. CROLL: Are they not ready yet?

The CHAIRMAN: You are referring to the questions asked by members of the committee?

Mr. CROLL: Yes, that is what I am talking about.

The CHAIRMAN: My understanding is that the replies are not yet ready.

The WITNESS: I haven't even received some of the questions.

Mr. CROLL: But what about those you have received then?

The WITNESS: I received them just within the last two or three days.

Mr. CROLL: Yes.

The WITNESS: We are working on that at the moment, and we would like to make them as useful as we can for the committee. In preparing the answers to those questions I was just going to ask if it would be in order to eliminate overlapping as far as possible; for instance, the difference in income exemption between $500 and $600 means a great deal of work in calculation.

Mr. CROLL: Use your own judgment on that.

The CHAIRMAN: Yes. No doubt you have in mind there my figure of $600. If you can give the same information with regard to the exemption of $500 that will suit my purpose just as well.

Mr. CROLL: Suppose we leave it to Mr. Sharp to correct some of these questions so that they can bring us exact results.

The CHAIRMAN: Now, Mrs. Fallis and gentlemen; on Monday we will hear Dr. Charlotte Whitton. On Tuesday we will hear most probably officials from the Veterans Allowance Board—they should not take much time. Could Mr. Sharp be with us around 4.30 that day?

The WITNESS: Yes sir.

The CHAIRMAN: Now, with regard to the answers to the questions asked by members of the committee, that is a little more complicated. On Wednesday we will have a representative of the Department of Justice; and then I wonder if we should have public sessions for hearing the answers to the questions put by members.

Mr. CROLL: I hardly think it would be fair to the members.

The CHAIRMAN: That is my thought also. I think we should end our public hearings and then continue in camera from there on with the assistance of Dr. Davidson, Mr. Sharp and somebody from the Department of Justice. Would that suit members of the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: It may be necessary from then on that we sit more than once a day in camera.

Thank you very much Mr. Sharp, we will see you again soon.

The committee adjourned.

APPENDIX "A"

NORTH AMERICAN LIFE ASSURANCE COMPANY

Head Office

Toronto 1, Canada

May 22, 1950.

JEAN LESAGE, Esq., M.P.,
Joint Chairman,
Parliamentary Committee on Old Age Security,
Ottawa, Ont.

Dear Mr. LESAGE:

Upon reviewing the evidence of the meeting of your Committee on Friday, May 19, at which meeting I was the witness, it has appeared to me that in certain of the questions and answers there may be some misunderstanding as to the exact points involved. I have reference to the discussion in which Mr. Knowles took part as to whether proportionate taxes or contributions on the one hand, and flat benefits on the other, represent parallel measures in a fiscal system, and also to the discussion in which Mr. Shaw took part as to whether a tax of the form of our present sales tax is regressive in its effect or not.

In order to clarify these discussions, may I define the main types of taxation and transfer payment, according to the form of their incidence in relation to the income (or resources or expenditure) of individuals or families. The five forms of incidence in the case of taxation are:

1. "Progressive" taxation—By this form of taxation the proportion of tax to income (for example) increases as income increases.
2. "Proportionate" taxation—In this form the tax bears the same proportion to income (for example) regardless of the size of income, and hence the tax may be regarded as an "impersonal" one in the sense that it does not vary if income is received by one person rather than another. This method is often called "flat percentage" taxation.
3. "Regressive" taxation—In this form of taxation the amount of tax increases as the income (for example) increases, but the proportion of tax to income falls.
4. "Per capita" taxation—In this form of taxation, which is often called a "poll" tax, the tax is levied independently of the amount of income or other financial items.
5. "Feudal" taxation—In this form of taxation the tax varies inversely with the income (for example), i.e., the higher the income the lower the tax is in actual dollars. Fortunately this type of taxation is only of theoretical significance.

It will be noted that proportionate taxation (which is the borderline between progressive and regressive taxation) and per capita taxation (which is the borderline between regressive and feudal taxation), are much simpler forms than the other three, in the sense that they do not involve the complication of graduation of rates.

Turning now to the corresponding forms of transfer payment which parallel the five forms of taxation, the descriptions are as follows:

1. "Welfare" or "assistance" payments—In this form there is an inverse relationship between the amount of payment and the amount of income (for example); that is, the higher the income, the smaller the transfer payment would be in actual dollars.
2. "Flat amount" payments—In this form of transfer payment the rate is the same for different persons in a defined category and is independent of income or other factors.
3. "Rising amount" payments—In this form of transfer payment, the amount is higher where the income (for example) is higher but the percentage of income decreases. Social security benefits in the United States and Unemployment Insurance benefits in Canada tend to be of this type.
4. "Uniform percentage" payments—In this form of transfer payment, the amount of payment is proportionate to the amount of income (for example).
5. "Increasing percentage" payments—In this form of transfer payment, as the income (for example) increases the percentage of the transfer payment also increases. Again it may be observed that this case has only theoretical significance.

The principle of parallelism in taxation policy tends to extend itself to establish parallels between the respective forms of taxation and transfer payments. Under modern conditions there has been a tendency to use progressive taxation on the one hand, with transfer payments of the welfare or assistance type on the other. Unfortunately the expansion of tax exemptions and the concurrent expansion of the group of recipients of the welfare type of transfer payments, has meant that we are tending to establish two large classes in the community, one of which consists of the taxpaying group and the other the transfer payment receiving group. Since this tendency seems to lead to more and more political difficulties and administrative complications, the best solution seems to be to move towards the second type of taxation (i.e. the proportionate method) and at the same time towards the second type of transfer payment (i.e. the flat amount method). By taking these two parallel steps, we accomplish two significant objectives. In the first place, we tend to abolish the classifications that have arisen within the community, since on the one hand everyone becomes a taxpayer (in proportion to his income for example), while at the same time everyone becomes a transfer payment recipient. In the second place, we move from a complicated to a simpler form of taxation, and from a complicated to a simpler form of transfer payments. It is also important to note that the relative net impact of taxation and transfer payments is almost exactly the same for the great majority of persons when using proportionate taxation with flat amount transfer payments as when using progressive taxation with assistance type of transfer payments. The only differences which arise are in the case of very small groups at either end of the economic scale, and these we take care of by residual supplementary assistance payments applying to a small number of people at the lowest income levels, and by surtax applying to a small number of people at the highest income levels.

I hope that the foregoing may be helpful in interpreting the points of view which I was trying to express before the Committee. It has also occurred to me that a word of explanation should be given regarding the example annuity premium rates which were filed. It should be observed that most of the difference between the insurance company rates and the population rates is due to the difference in mortality assumptions. The persons who purchase annuities

from insurance companies are a very select class from the point of view of mortality, and they experience much lower mortality rates than the population as a whole. This is particularly striking in the case of women as compared with men. It will be noted that insurance company rates for women are much higher than those for men, while the population rates for women are only slightly higher than those for men. Accordingly, premium rates based upon a population table would only be satisfactory in connection with a widespread compulsory scheme under which there was no opportunity for individual selection as to the amount of annuity to be purchased.

It is possible that there may be other questions arise from the Committee in connection with my testimony the other day. If such is the case, I should be very glad to try to furnish satisfactory answers.

Yours very truly,

(Sgd.) W. M. ANDERSON.

APPENDIX "B"

Provincial Supplemental Allowances, Medical, Hospital and Related Services.

(Information requested by Mr. Fleming, Page 92, April 19, 1950. Proceedings Joint Committee on Old Age Security.)

Alberta

Supplemental Allowances

The supplemental allowance paid by Alberta at the present time amounts to $10 a month. The allowance is payable without a means test to persons resident in Alberta whose pensions are granted by the pension authority of Alberta. Under reciprocal agreements made by Alberta with other provinces paying similar allowances the Alberta pension authority may pay the supplemental allowance to pensioners who leave Alberta to reside in such other provinces. Alberta has reciprocal agreements with two provinces, namely, British Columbia and Saskatchewan.

Medical Services

Alberta provides full medical (including specialist) and optical services to old age pensioners and their dependents without cost to the pensioners. It also provides extensive dental services. Under the plan the Government of Alberta pays to the College of Physicians and Surgeons, Province of Alberta, the sum of $12.50 a year and to the Alberta Dental Association the sum of $3.15 a year for each pensioner and his or her dependents. Payments in respect to optical services are made separately.

Hospital Services

Hospital services are provided under a special plan to old age pensioners and their dependents without cost to the pensioners. Payment for hospital services is made from funds appropriated by the Legislature.

British Columbia

Supplemental Allowances

The supplemental allowance paid by British Columbia at the present time amounts to $10 a month. The allowance is payable without a means test to

pensioners in British Columbia whose pensions are granted by the pension authority of British Columbia and provided that British Columbia is responsible for payment of the provincial share of pension. A further requirement is a period of residence of three years in British Columbia.

Supplemental allowances may be paid to pensioners outside British Columbia who are residing in provinces with which British Columbia has made reciprocal agreements. Such agreements with Alberta, Saskatchewan and the Yukon Territory are in operation. Allowances are also paid to British Columbia pensioners in New Brunswick.

Medical Services

British Columbia provides full medical (including specialist) services to old age pensioners and their dependents without cost to the pensioners. The Government of British Columbia shares with the municipalities on an 80-20 basis in paying the British Columbia College of Physicians and Surgeons the sum of $14.50 a year for each pensioner and dependents. Limited dental and optical treatment is also provided and paid for on a separate basis.

Hospital Services

Old age pensioners in British Columbia are provided with hospital services without cost, the Government of British Columbia paying premiums amounting to $21 a year for a single pensioner and $33 a year for a married pensioner required by the British Columbia Hospital Insurance Act.

Manitoba

Supplemental Allowances

The Province of Manitoba does not pay a supplemental allowance to old age pensioners at the present time. Two different plans were adopted between 1943 and 1949. The plan which came into operation on March 1, 1949, was discontinued from May 1, 1949, the effective date of the new agreement made under the Old Age Pensions Act as amended in 1949.

Medical Services

Manitoba has not a special plan providing medical services to pensioners without cost to the pensioners. A municipality may in its discretion provide medical care for a pensioner and claim partial reimbursement for such expenditure from a Provincial social assistance fund established for this purpose.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid by the Government of Manitoba. However, hospital care ordinarily provided to persons unable to pay is available to old age pensioners.

New Brunswick

Supplemental Allowances

The Province of New Brunswick does not pay a supplemental allowance to old age pensioners.

Medical Services

There is no special plan in New Brunswick under which medical services are provided to old age pensioners without cost to the pensioners.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid for by the Government of New Brunswick. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Newfoundland

Supplemental Allowances

The Province of Newfoundland does not pay a supplemental allowance to old age pensioners.

Medical Services

There is no special plan in Newfoundland providing medical services for old age pensioners (but see below under Hospital Services). Pensioners are, however, entitled to medical services ordinarily provided for persons unable to pay but are expected to pay casual fees.

Hospital Services

There is no special plan in Newfoundland providing hospital services for old age pensioners. In cottage hospital areas pensioners are expected to pay a subscription fee ($5 single, $10 family) covering both hospital and medical care, also dental care on a nominal fee basis. Elsewhere hospital services ordinarily provided for persons unable to pay are available to old age pensioners.

Nova Scotia

Supplemental Allowances

The Province of Nova Scotia does not pay a supplemental allowance to old age pensioners at the present time. A plan to provide such allowances was in effect from 1943 to 1949. The plan was discontinued from May 1, 1949, the date on which the new agreement under the Old Age Pensions Act as amended in 1949 became effective.

Medical Services

Medical services (general practitioner, home and office visits) are provided by Nova Scotia to old age pensioners without cost to the pensioners. Limited provision is also made for certain basic drugs. Under the plan the Government of Nova Scotia pays to the Medical Society of Nova Scotia the sum of 75 cents a month for each pensioner.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid for by the Government of Nova Scotia. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Ontario

Supplemental Allowances

The Province of Ontario does not pay a supplemental allowance to old age pensioners at the present time. Two different plans were adopted between 1943 and 1947. Early in 1949 the second plan was extended but, as of May 1, 1949, the date on which the new agreement under the Old Age Pensions Act as amended in 1949 became effective, the entire plan was discontinued.

Medical Services

Ontario provides medical services (general practitioner home and office visits) to old age pensioners without cost to the pensioners. Limited provision is also made for certain basic drugs. Under the plan the Government of Ontario pays the Ontario Medical Association the sum of 83 cents a month for each pensioner.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid for by the Government of Ontario. Hospital care

ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Prince Edward Island

Supplemental Allowances

The Province of Prince Edward Island does not pay a supplemental allowance to old age pensioners.

Medical Services

There is no special plan in Prince Edward Island under which medical services are provided to old age pensioners without cost to the pensioners.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid for by the Government of Prince Edward Island. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Quebec

Supplemental Allowances

The Province of Quebec does not pay a supplemental allowance to old age pensioners.

Medical Services

There is no special plan in Quebec under which medical services are provided to old age pensioners without cost to the pensioners.

Hospital Services

There is no special plan under which old age pensioners are provided with hospital services paid for by the Government of Quebec. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Saskatchewan

Supplemental Allowances

The supplemental allowance paid by Saskatchewan at the present time is an amount up to $2.50 a month. The allowance is payable subject to a means test to pensioners whose pensions originate in Saskatchewan where the provincial share of the cost is provided in full or in part by Saskatchewan, and to pensioners whose pensions originate in another province where the provincial share of the cost is provided in full by Saskatchewan. The supplemental allowance is regarded by the provincial old age pension authority as income under the Old Age Pensions Act, which means that it can be paid only in those cases where combined pension plus outside income plus supplemental allowance (full or partial) does not exceed $600 (single) or $1,080 (married). The allowance is paid to pensioners residing in Saskatchewan or in a province with which Saskatchewan has a reciprocal agreement. Saskatchewan has reciprocal agreements with British Columbia and Alberta.

Medical Services

Saskatchewan provides full medical, dental, optical, nursing and certain additional services (e.g. physiotherapy) to old age pensioners and their dependents. The Government of Saskatchewan contributes to a special fund the amount of $12 a year for each old age pensioner including dependents. The only charge levied against the pensioner is in respect of drugs, where the pensioner may be called upon to pay 20% of the cost of drugs supplied outside of hospital.

Hospital Services

Saskatchewan provides hospital services to old age pensioners and their dependents without cost to the pensioners, the premiums payable under the Saskatchewan Hospitalization Act, 1946, being paid by the Government of Saskatchewan. The yearly premium is $10 for any adult and $5 for a dependent child under 18 with a maximum premium for a family of $30.

Northwest Territories

Supplemental Allowances

There is no provision for the payment of a cash supplemental allowance to old age pensioners in the Northwest Territories. Pensioners who require additional assistance may, however, be given assistance in kind by the Department of Resources and Development.

Medical Services

There is no special plan to provide medical services for old age pensioners in the Northwest Territories.

Hospital Services

There is no special plan to provide hospital services for old age pensioners. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

Yukon Territory

Supplemental Allowances

At the present time the Government of the Yukon Territory pays a supplemental allowance of $10 a month to old age pensioners. The allowance is paid to persons granted pensions by the pension authority of the Yukon Territory while they reside in the Yukon Territory or in British Columbia, the one province with which a reciprocal agreement has been made.

Medical Services

There is no special plan to provide medical services for old age pensioners in the Yukon Territory.

Hospital Services

There is no special plan to provide hospital services for old age pensioners. Hospital care ordinarily provided for persons unable to pay is, however, available to old age pensioners.

APPENDIX "C"

"THE LENGTHENING LIFE-SPAN OF PENSIONERS"

Excerpt from Annual Report, 1945,
The Social Assistance Branch,
Department of the Provincial Secretary,
Province of British Columbia.

(Information requested by Mr. Knowles, Page 517, May 9, 1950, Proceedings Joint Committee on Old Age Security.)

It is comon knowledge that the longevity of the human race is increasing. The average life expectancy at birth for the Roman citizen was 23 years. In New England in 1850 life expectancy was 40 years. Today the life expectancy of white people in North America is somewhat over 63 years.

On more than one occasion observant officials of old-age pensioners' organizations have remarked that the lives of many of their members have definitely been lengthened by the receipt of the pension. They assert with evident conviction that this is due to the added sense of security which even this modest income gives them. These expressions of opinion, and the awareness of the rapid lengthening of the life-span of people generally, interested us in doing some research-work to find out how well British Columbia pensioners really are doing relatively in the race for longevity.

A survey was made of the files of all pensioners who died in 1928, 1936, and 1944. Though it was in 1927 that both the Dominion and Provincial Acts came into force, 1928 was the first complete calendar year during which pensions were paid in this Province. The year 1944 is the latest one for which records are available and 1936 is the middle year of pension history. It was felt, therefore, that an examination of the records for these three years would reveal the information desired.

In all, 2650 files were studied and from them were obtained the following data:—

Year	Sex	Number who died	Average Age	Increase in Years over 1928	Increase in Years over 1936
1928	Male	210	77·676	—	—
1936	Male	656	78·523	0·847	—
1944	Male	810	79·512	1·836	0·989
1928	Female	97	78·546	—	—
1936	Female	362	79·494	0·948	—
1944	Female	507	80·160	1·614	0·666

From the above it will be noted that the life-span of male pensioners has increased by nearly two years and that of female pensioners by only slightly less between 1928 and 1944, or since pensions were first granted. Doubtless the receipt of the pension was not the only cause of the increase in length of life, but it would seem reasonable to conclude that it was at least an important contributing factor.

APPENDIX "D"

MISCELLANEOUS REPRESENTATIONS RECEIVED

INDEX

Toronto Board of Trade
District Five, United Electrical, Radio and Machine Workers of America
American Stockholders' Union, Toronto
Old Age Division, Welfare Council of Greater Toronto
Mr. H. C. Osborne, Hollyburn, B.C.
Flin Flon (Manitoba) Council on Rehabilitation and Post War Reconstruction
Canadian Federation of the Blind
Canadian National Institute for the Blind and The Canadian Council of the Blind
Montreal Council of Social Agencies
Mr. Geo. M. Leduc, Old Age Pensions Investigator, St. Jean Port Joli, P.Q.
St. Catharines (Ontario) Advisory Committee, National Employment Service

SUBMISSION BY KURT SOELLING

Minden P.O., Ontario, March 1950

To: The Chairman and the Members of the Fact-Finding Committee on Old Age Pensions, Ottawa, Canada.

Re: Residence Qualification

Dear Sir or Madam:—

The writer of this Petition and his wife are former German Citizens of Protestant Creed. I, the undersigned was in succession a Judge, a Legal Adviser to the Minister of Justice and the Chief Justice of the Supreme Court (Landgerichts-Præsident) in the German Capital, Berlin, dismissed by the Hitler Regime in 1933. We had to flee in 1938, when oppression became intolerable, were soon admitted as Immigrants and are now Canadians. We built with a small loan by helpful Canadians in 1940 in Minden (Haliburton County) the small Summer Resort Batt-Lake Lodge. As all efforts to induce the present German administration to pay me my pension were in vain, we depend upon the small returns of our little business i.e. our ability to continue the hard work in a summer resort without any hired help. (We have no children.) Eligible for O.A.P. next year, I am barred by the 20 years residence qualification of the law, having lived on my 70th birthday only 12 years in Canada. I therefore take the liberty to petition:

Committee may recommend an amendment to the O.A.P. Law, reducing the Residence Period to Ten years—or less.

These are my reasons:

(*a*) The waiting period of 20 years is disproportionately long. It takes only 5 years residence to become a citizen.

(*b*) The long waiting period has brought forth unintentional hardship to elderly people. When the O.A.P. Law was promulgated, mostly young people immigrated and so the 20 years waiting period did not mean much hardship. Things have changed; Nazi and Bolschevik Terror has forced people of all ages, among them many oldsters to emigrate in order to find REFUGE in Canada. The 20 years waiting period makes them uneligible, contrary to the good intentions of the Legislature who could not foresee these events. To bring the system in accord with the true intentions of the Legislature, the waiting period should be shortened, as suggested.

(*c*) The waiting period for Family Allowances has been reduced to a year. Yet people of 70 years are supposed to be more in need of help than the head of a Family with minor children.

(*d*) Admission of Newfoundland to the Federation made the needy old people of this Province eligible without any previous residence in Canada proper.

(*e*) The Law is unfavourable to those Canadians by birth, who as Clerks, Engineers in Canadian Enterprises, as Teachers or in similar positions have served their native land abroad for many years, possibly all their lives and had to leave now, after the Communists had seized power, leaving their savings behind. Unforeseen events justify the proposed amendment here too.

(*f*) The long waiting period is in contrast to the legal care for the Old in the U.K. and may prove a deterrant to very desirable Immigrants from Great Britain and France. The long waiting period is incompatible with a sound Immigration Policy.

(*g*) Costs for the proposed lowering of the waiting period will be low. The number of eligible will not increase considerably and the additional expenditure will be counterbalanced almost in full by savings for relief and socially undesirable alms.

Hoping that these explanations will be considered favourably, I am,

Respectfully yours,

Kurt Soelling, Minden, Batt Lake.

AMALGAMATED CIVIL SERVANTS OF CANADA

Publishers of The Canadian Civil Servant

Assistant National Secretary: Trevor Gough, 230 Laurier Ave. W., Ottawa, Ont.; National President: A. H. Helm, 56 Scott Street, Kitchener, Ontario; National Gen. Sec. Treas.: Fred Knowles, Phone: 3-5756; Telegraphic and Postal Address: 230 Laurier Ave. W., Ottawa, Ont.

Office of National Secretary,
APRIL 21, 1950.

Mr. Jean Lesage, M.P.,
Chairman, Joint Committee on
Old Age Pensions and Security,
House of Commons,
Ottawa, Ontario.

Dear Sir:—

We wish to draw to the attention of your Committee that many superannuated Civil Servants or their widows are finding it very difficult to make ends meet on superannuation benefits, calculated in the main, on pre-war salary schedules, in the face of the continuing high cost of living.

The Government has not seen fit to meet their appeals for a cost-of-living bonus, and while expressing sympathy, have as yet granted no measure of relief.

The Government takes the position that—"if bonuses are paid on superannuation allowances, consideration would need be given to similar payments on Government Annuities" and, broadly speaking "to grant relief to superannuates of the Government alone, would be discriminatory, having in mind other citizens in like position".

Whatever merits there are in the position taken by the Government, the fact remains that people are suffering, and sympathy without tangible relief does not solve the problem, and supplementary income is necessary in many cases, on humanitarian grounds.

We are mindful of the fact, that due to the waiving of age limits for entry into the Civil Service under returned soldier preference, that the problem of inadequate superannuation benefits at age sixty-five will be with us for the next quarter of a century, due to short-term service before reaching that age.

Having these things in mind, we request that steps be taken without undue delay to provide old age pensions to all citizens of Canada, *payable at age sixty-five*, by right to all those who apply, and *without a means test*. In this manner the plight of Civil Service superannuates, and others in like position throughout the country, would be considerably eased, both at this time and in the future.

We believe that this is a constructive proposal in the public interest, and that the people of Canada as a whole are ready for an Old Age Pension plan on *a contributory basis*, payable at age sixty-five without a means test.

Our organization unanimously endorsed this proposal at its National Convention of 1949.

Respectfully submitted,

(Sgd.) FRED KNOWLES,
National Secretary-Treasurer.

FK:MM

THE BRITISH COLUMBIA
OLD AGE PENSIONERS' ORGANIZATION

(Instituted 1932—Incorporated 1937)

Executive Secretary:

E. A. GRIFFIN, Peace Park Drive, R.R. 2, White Rock, B. C.

APRIL 24, 1950.

To the Chairman and Members of the Parliamentary Committee of inquiry into the Matter of Old Age Pensions

Greetings

I have received instructions from the Executive Council of the British Columbia Old Age Pensioners Organization to forward to you for your consideration the accompanying brief in the earnest hope that you will give it your most favorable attention.

(Sgd.) E. A. GRIFFIN,
Provincial Secretary.

The brief is as follows:

1. That a pension of not less than $50.00 per month be granted to all persons 60 years of age who are and have been residents of Canada since they were 21 for an accumulated period of 20 years.
2. That the pension shall not be subject to any Means Test or taxation. Other additional income subject to usual income tax regulations.
3. No charge shall be made against the estate of a deceased pensioner on account of pensions granted under the Act.
4. That the pension authorities be given power to accept evidence of age from relatives and others in position to provide the same.
5. That arrangements be made for an interchange of proportion of pension payments between Great Britain, The Dominions and other countries corresponding to residence.

Thos Field, president;
Mrs E. Buckley, first vice-president;

Mr. C. Harris, second vice-president;
Mr. E. A.. Griffin, secretary;
Mr. Wm. J. Gurr, treasurer;
Mr. A. Harris, Organizer;

Executive Members: Mr. H. P. Coverdale, Mr. C. R. Bennetton, Mr. J. W. Hope, Mrs Price-Needles.

Old Age Pensioners' Organization
of Saskatchewan

(Organized August 1940)

1st Vice-President	Provincial President	Central Executive
E. W. Sager	Mrs. Anne Douglas	Mr. H. Hooton
Prince Albert	2309 Lorne Ave., Saskatoon	Prince Albert
2nd Vice-President	Secretary	Mr. J. Neilly
Mrs. J. Middleton	Mrs. C. T. Reid	Whitefox
Saskatoon	223 Fourth Ave., S. Saskatoon	Mr. H. Baldwin
Membership Convener	Treasurer	Swift Current
Mrs. A. E. Nurse	S. A. Lovell	Mr. D. Schwean
124 Fourth Ave. N.	124 Fourth Ave. N., Saskatoon	Herbert
Saskatoon		

The official Chairman of the Old Age Security Committee, Ottawa:

SUGGESTIONS

1. Modify the Means test, make it less severe, and less of a burden.
   (*a*) No deductions for rent from home owners.
   (*b*) Where two Pensioners live together, no deduction on account of two occupying one residence.
   (*c*) Means Test to be inoperative after the (Civil Service Retiring) age of 65 years.
2. Increase the Earning Maximum of both male and female pensioners.
3. Lower the Pension Age of both sexes.
4. Make pension age of women *five* years younger than men.
5. Increase pension so that it bears a *fair* relation to the cost of living.
6. Where a man or a woman reaches pension age, the spouse *should* automatically be considered pension age.
7. The impossibility of laying up a Burial Fund being obvious, it would appear that a reasonable burial allowance *should* be provided by the Pension Board.
8. More cash should be allowed on hand when making application for pension.
9. Application Forms should be *simplified, and questions made less embarrassing.*

OLD AGE PENSIONERS ORG. OF SASK:

Mrs. T. C. Reid,

223-4th Ave. So.

Saskatoon, Sask.

BOX 315,

Chemainus, B.C.

April 24, 1950.

To the Members of the Committee of the House of Commons and the Senate investigating conditions in connection with OLD AGE SECURITY

Ladies and Gentlemen:

In submitting this brief for your consideration, I would explain that it does not come from any Organization. I am sending it as an ex-member of the Old Age Pensions Department of British Columbia, feeling that the experience I gained during my term of office may be of value to you.

In 1944 I was appointed as Chief Clerk to the Administrative Division of the Old Age Pensions Department in Vancouver, resigning from my position later. I was also Private Secretary to various Cabinet Ministers in the B.C. Government over a period of 14 years, and I have been in touch with the problem of old age for many years.

Since leaving the Civil Service I have given much of my time on a voluntary basis in campaigning for our aged citizens and I am still deeply interested in the problem.

As evidence in support of my statements I enclose a copy of a letter given to me upon my resignation, by Mr. J. H. Creighton, Chairman of the B.C. Old Age Pensions Board.

I hope the suggestions submitted will come within the scope of your enquiry.

I remain, Yours very truly,

(Mrs.) DOROTHY SPURR.
Ex Chief Clerk, Administrative Division,
Old Age Pensions Board, Vancouver, B.C.

P.S.—I would add that *I am not looking for a position with the Government* and send this purely in the interests of our aged citizens.

SUBMISSION BY DOROTHY SPURR
OLD AGE PENSION BOARD

VANCOUVER, B.C.

August 25, 1944.

COPY

To Whom It May Concern

Mrs. Dorothy Spurr is leaving the employment of this office after acting for some time as Chief Clerk. She is going entirely of her own accord, having made other plans.

She is a highly intelligent woman with wide experience in office management and more than ordinary capacity for organization.

During her term of office with us we found her willing to take responsibility and keenly interested in her work. She made a very efficient Chief Clerk. Any person employing her will find in her a responsive, enthusiastic worker with a constructive contribution to make to whatever organization she may be called upon to serve.

She carries with her our very best wishes for success and happiness in her future work.

"J. H. CREIGHTON",
Chairman, Old Age Pension Board.

In submitting this brief may I say how encouraged I am to know that our Government is trying to carry out the intentions of THE ATLANTIC CHARTER and also THE CHARTER OF HUMAN RIGHTS to which Canada subscribes.

I feel sure that as Canadian we realise we can no longer continue to call ourselves a Christian Democracy and at the same time hand the 'heel of the loaf' to our aged citizens who were, in many cases, the pioneers of our Country. The time has come when we must translate words on paper into action IF OUR NATIONAL CONSCIENCE IS TO BE CLEAR.

May God bless your efforts and lead you to a satisfactory solution of this vital problem.

INTRODUCTION

The problem of Old Age Security seems to devide itself into two headings: The Immediate and the Future.

The Immediate would seem to deal with problems as they affect aged people already in receipt of pension, and those who have applied for pension and will receive it before any contributory plan can be put into operation.

The Future naturally is the problem of deciding as to what form any contributory plan will take (if inaugurated), whom it shall cover, and *how it shall be administered.*

THE IMMEDIATE PROBLEM

In the first place I would like to mention the immediate problem, as in my opinion, there are still various conditions relating to the present Pension plan which need improving, and I would add my voice to those of others in asking for consideration of the following points:—

(1) *The Application Form and Procedure;* I would like to see the form remodelled and the whole procedure simplified.

Many old persons are so confused upon being confronted with the Application Form in use in British Columbia that I have known those who have withdrawn their application rather than fill out the innumerable questions and supply all the supporting documents demanded. For instance... Question No. 6 regarding residence. How many of us when confronted with such a question, even in our younger years, could account for every day and every week of the past 20 years, especially where the applicant has moved from one part of this vast country to another, as is so often the case? A lawyer once told me that in his opinion many applicants would have to commit perjury to give all the information asked for. Then again it is not easy to obtain declarations or residence when many years have elapsed since an applicant was resident in a particular locality. People die or move away, and I am of opinion this requirement should be modified or made very elastic.

(2) *Standardized Forms.* From my experience I would say that it is most necessary for a standardized form to be used throughout Canada instead of each Province designing its own. I realise that some Provinces, such as the prairies, ask for particulars that others do not need, but in the main the information asked for is the same. If additional information is required I suggest the use of a supplementary slip. This should help the administrative staffs as well as applicants.

(3) In some provinces a field service report is required after all available evidence is secured, before pension is granted. (At least this was the case in B.C. in the past.) I do not believe this to be necessary for it is the administration

office which gathers the information and considers it. If the field service worker has a large territory, as they have in B.C. it may be weeks before such a report can be made, and this causes needless delay and hardship.

(4) *The Age at which Pension is Granted:* I hope that when the new plan is put into operation, the pensionable age for those left under the non-contributory plan, will be changed from 70 to 65 for men and 60 for women.

(5) *Allowable Income:* Now that the basic pension has been increased I find that it is pretty generally felt that the allowable income should also be increased. In B.C. of course, there is a cost of living bonus of $10 monthly, but at today's cost of living in our province, $50 a month only provides bare necessities and does not leave anything for the amenities of life to which older people are surely entitled.

I am not alone in my opinion that where a pensioner is able and willing to carry on part time employment they should be allowed to do so. There are many light household duties that could well be carried out by a women of 70 and over, giving her an interest in life and making her feel that she is still of use in the world and necessary to others. Many housewives would welcome the help she could give, particularly as a baby sitter. In the case of men pensioners their help would be welcomed by the hour or day in our gardens and in other part time capacities. I put forward a strong plea in favour of pensioners being allowed to earn a reasonable amount over and above their pensions. At best it can be for but a short time and we shall lose nothing by generosity in this regard.

(6) *Annuities:* There is a Regulation in effect which provides that where an applicant is possessed of any amount over $250 (in the case of a single person), and $500 for married couple, this amount must be invested in a Canadian Government Annuity. If it is not then it is considered that the applicant could have had an income in the form of an annuity, and the amount of this calculated annuity is generally used in arriving at income for the rest of the pensioner's life in my opinion this regulation should be made very elastic.

(7) *Overpayment of Pension:* Where a pension is overpaid it was the custom during my term of office to suspend pension until it was repaid. In my opinion any overpayment should be repayable by instalment after enquiry into the pensioner's circumstances. At that time overpayment was in many instances not the fault of the pensioner, but because the office was in arrears with its work, particularly in checking field service reports. When I took over my duties the field service reports had not been checked for 12 months. I believe that instalments are now accepted in some cases in B.C. but it may be that this is not the case in other provinces, and so I mention it here.

(8) *Proof of Age.* This is in many instances very difficult to establish. Registration of birth was not always carried out 70 years ago, nor were babies all baptised. In addition to this, records are often lost, sometimes through fire or on account of war. I would like to suggest that where an applicant cannot produce evidence as proof of age a doctor's certificate to the effect that he or she is physically of the required age be accepted.

(9) *Payment of First Cheque:* I would like to see the pension paid from date of application (when granted) provided application is not made before the pensionable age; if it is then payment could be made from the first month after the 70th birthday.

(10) *Pension Pending Approval of Application.* Here I would suggest a tempory pension (at least in urgent cases) where a delay of more than a certain period occurs in gathering evidence to prove elegibility. I have known of cases where it has taken 6 months to prove eligibility because of some small detail holding up the application. In the case of widows of war veterans one month's

pension cheque is sent them upon death of their husband (if he were pensioned) to carry them along until their own application for pension is considered. Also in France I have read that *Old Age Assistance* is provided for those in need who are not yet of pensionable age.

(11) *Hearing Aids:* It is not the policy of the Government of B.C. to supply pensioners with hearing aids, although free medicine and medical attention and hospitalization is given. Many old people are deaf (in differing degrees) and are cut off from human contacts because of this disability. This is particularly hard in one's declining years when activities in most directions have to be curtailed. For instance, they cannot attend concerts or lectures, and only movies where there are hearing aids in the seats. When in company with others, or in a room with a number of people, they cannot take part in conversation. It is not only a hardship to themselves but to the people with whom they live and come in contact.

One of the reasons given for hearing aids not being provided is that the medical profession are not yet agreed upon any particular device. However, as there are different causes of deafness and different aids to help them, I do not believe this should be an insurmontable difficulty. I have talked over the matter with a member of the medical profession and he told me he felt such an obstacle could be overcome. The doctor might state the cause to which deafness was attributable and recommend a suitable hearing aid. This might be tried out and returned if not suitable. Surely the co-operation of firms manufacturing such aids could be obtained and the cost of same born by the pension authorities.

(12) *Housing:* Much is being done in various parts of Canada towards better housing for the aged. Nevertheless much remains to be done. Some time ago I circulated a questionnaire among pensioners in this regard and was shocked to find some of the conditions under which they were living with lack of proper heat, bathing facilities, lack of attention when sick, carrying in their own fuel, in many cases up stairs, and paying rents which they could not afford. I would like to see a special federal committee set up to study this phase of old age security alone.

(13) *General Simplification of Regulations and Procedure:* May I suggest that a special federal committee be appointed with representation from all provinces for this purpose. I believe it to be long overdue.

(14) *Means Test:* I am not in agreement with those who believe the means test should be removed. I feel it to be necessary to any non contributory plan.

FUTURE PLANS

In considering a future Old Age Security Plan, I feel sure you will have many briefs outlining ideas as to whom it shall cover, what form it shall take etc., and I am, therefore, confining my remarks to Administration.

The suggestions I am offering are sent in light of my actual experience as Chief Clerk of the Administrative Division of the Old Age Pension Board, Vancouver. At the time I was appointed the Department was being re-organized and the policy changed. It was also suffering from "growing pains", and therefore anything which I say which may sound critical should be judged in that light.

The remarks which I give herein are founded on the premise that the office organization is the hub of the wheel. If the office does not function as it should then every division in the department will suffer, and this includes the field service.

The first objective would seem to be a well organized office with a well trained staff, planned in such a way as to be capable of expansion with the least

possible trouble and with the greatest possible speed. If this is kept in mind at all times I know it will go a long way towards insuring success of any scheme which may be put into operation.

I respectfully submit the following suggestions:

(1) That the duties of the Commission (or Board) and its Chairman, be defined in the Act but not to include the direction of the office staff or office organization. It is within the bounds of possibility that a Chairman may be chosen for qualifications which make him an excellent chairman in regard to policy etc., and yet he may have very little knowledge of office procedure. Office procedure is just as much a speciality as any other branch of Public Administration and it should be placed in the hands of an office specialist. I believe if this idea were carried out more generally that a much more efficient and economical administration would result.

(2) That the management and direction of the office and its staff be placed in the hands of an executive director (with an assistant director) and that they should work in consultation with an office engineering (or mechanics) department which would come under the authority of the Civil Service Commission.

(3) The Office Engineering Department (or Branch) would be a newly organized department serving all departments of the Civil Service for the purpose of streamlining systems and office procedure, studying modern methods and standardizing and co-ordinating procedure as much as would be practical throughout the entire Civil Service. (Attached is a chart on which I have tried to work out my idea).

PRIME MINISTER

Cabinet

Minister of .... | Minister of Welfare and Social Security | Minister of | Ministers of various portfolios

Old Age Security Board | Civil Service Commission

Office Engineering Dept.
(Serving all Depts. of Civil Service)

Executive Director
(Old Age Security Board)
Not responsible to Chairman of
Board for staff and equipment
but serving the Board

(4) The Administration Office would serve the Board or Commission, but would not have to refer to them in the matter of staff or supplies or office equipment. They would supply the Board with whatever data they required and generally carry out all duties in connection with office procedure, thus relieving the Chairman of the Board from much detail work and leaving him free to deal with matters of policy, finance etc., etc. Such a procedure, in my opinion, should (if properly carried out) speed up the work of the office, the Executive Director working out plans of procedure in consultation with the Office Engineering Dept. (keeping the Chairman of the Board advised of their plans if necessary). Upon a plan being finally approved it would be forwarded to the Civil Service Commission (or Finance Dept. as the case might be) to be approved before the staff was engaged or supplies and equipment purchased (always keeping in mind

the amount of money voted for administration of the office) as an example... if after consultation with the Office Engineering Dept. it was decided that a certain number of clerks of a particular grade were needed and a certain number of stenographers, the requisition would be forwarded to the Civil Service Commission, accompanied by the recommendation of the Office Engineering Dept. and setting out the reason with accompanying evidence that such a requisition was necessary. The Civil Service Commission would then supply the staff and the Chairman of the Board would not be bothered with such details.

(5) Office Staff. It was my experience that the office staff appointed were, in general, too young and inexperienced. Old Age Pension work involves a great deal of calculation and complicated procedure in connection with the Act and Regulations. It needs mature judgment.

As time goes on we are faced with the problem of employment of men and women over the age of 40 (in some cases of 35). This problem is increasing at an alarming rate. Our Governments have requested employers to give consideration to the employment of people of this age group, and I therefore respectfully suggest that our governments should lead the way, if only for the reason that if a man or woman of this age cannot find gainful employment they cannot provide for their old age either through a national insurance plan or by any other means. In due course they will become a charge upon the state long before the age of 70.

I am of opinion that the knowledge and experience of these older people could be utilized to good effect in any new old age security department which is to be set up:

One advantage of their employment would be that, in addition to their experience and mature outlook, they would "stay with the job". With younger employees (women at any rate) there is always the problem that they will resign to marry, or they will be offered positions at higher pay.

I would like to refer you to an article published in the Canadian Medical Association Journal (April 1950) entitled "The Older Worker. His Plans for Retirement" by A. N. Reid, M.A.

(6) Training of Staff: It is my opinion what whatever staff is appointed should go through a period of training, both before and after taking up duties. Field staff is not appointed without training and it is just as important to have a well trained office staff understanding the Act and Regulations, etc. An examination dealing with the Act and Regulations, also a personal interview with the applicant for a position to gain knowledge that they are of the right type, should be carried out before appointment. After taking over their duties an "in training" course should be given and time allotted for this.

Much of the difficulty I encountered during my term of office was due to the fact that young, inexperienced people were appointed to the staff at inadequate salaries and left without sufficient direction and supervision.

(7) Salaries commensurate with qualifications and requirements should be paid. Much difficulty (in 1944) was experienced by the B.C. Old Age Pensions Dept. because the Civil Service Commission did not fully understand the "peculiar" nature of the duties to be carried out by the Old Age Pension staff, who were then classed in the main as "stenographers" and paid in accordance with that classification. They were not stenographers in any sense of the word, the work being specialized clerical work.

(8) Office Space: Adequate space, well lighted, heated and ventilated is a necessity and with ample room for expansion. In Vancouver we were badly hampered in this respect, working in crowded badly ventilated quarters. This resulted in much loss of time as the staff became drowsy at their desks. Here again the Office Engineering Dept. would help. They would decide in consultation with the Executive Director, what space was needed, taking into consider-

ation future expansion so that bottle necks would not occur. The public (who have not worked behind the scenes in the Civil Service) are not aware of the problems that often have to be faced by the staff, and do not make allowances. They expect prompt service.

(9) Stationery and Printing: Much money can be wasted unless a proper check is kept. A stock sheet and requisition system is a necessity and a proper system of requisition and supply worked out, otherwise waste occurs. Economy in the use of stationery and forms should be stressed. Money can be saved by consulting with printers upon the best and cheapest type of paper to use.

(10) *Office Equipment:* Here again this would be decided upon by consultation with the Office Engineering Dept. But once requisitioned it should be supplied without delay. All equipment should be *kept in good repair,* especially postal meters, typewriters and other machinery; otherwise a general breakdown may occur and valuable time and money wasted in addition to hardship being caused to pensioners.

(11) *Filing System:* This perhaps is one of the most important items of office organization. If files are lost through an inadequate charge out system, hours are wasted and the work of the department held up. During my time in Vancouver, before a charge out system was installed, 97½ hours were lost in one week looking for lost files. It is most important that files should be placed in charge of staff interested in filing and capable, physically and otherwise, of carrying out the duties efficiently.

(12) *Office Manual:* A properly prepared and indexed office manual setting out office procedure for the guidance of staff is invaluable.

(13) During organization measurement of time taken to perform various duties pays dividends and provides evidence of the number of staff required. I found time sheets and diaries helped in this respect, even though the staff may not wish to take time to fill them up.

(14) Allocation of duties. I am not aware if this procedure is followed in our Civil Service, but in a large office in London (England) in which I worked, stenographers were not expected to do copying work. This was given to typists who were not paid so highly and the more highly paid staff used their time to better advantage.

(15) Indexes and Cardexes are useless unless kept up to date.

(16) A checking and control system prevents mistakes.

(17) *Staff Meetings:* I know these are held in some of our federal government offices. I made a point of holding weekly staff meetings with the section supervisors and each week invited a junior to attend. In this way I secured co-operation and many difficulties were smoother out between various members of the staff. Ideas were voiced for the smoother running of the office. Minutes were kept and a suggestion box installed into which could be dropped suggestions and complaints. If a suggestion were used record was made on the staff "service card" so as to be available when increases or promotions were being discussed. The meetings definitely improved morale.

All of the above may seem very elementary and obvious. Nevertheless the suggestions are based on the fact that I encountered difficulty in the directions mentioned. I mention them not only to stimulate thought in the establishment of a new department, but because as a Canadian I wish to see any new plan

succeed. I know from personal experience that much criticism is often levelled at civil servants by "armchair critics" and I hope some of the points I have brought out may help to eliminate this.

All this is respectfully submitted by

(Mrs.) DOROTHY SPURR,
(Ex Chief Clerk Administrative Division, Old Age Pension Board, Vancouver, B.C.)

Box 315.
Chemainus B.C.
April 24, 1950.

SUBMISSION BY G. CECIL MORRISON

40 Fuller Avenue,
Ottawa, Ontario.

April 25th, 1950.

The Honourable Paul J. J. MARTIN,
Minister of National Health and Welfare,
Ottawa, Ontario.

Dear Mr. Martin,—I understand the Government is proceeding with a concentrate study of the Old Age Pension policies and that a Committee has been appointed by the House of Commons for investigation and recommendation.

As I have intimated, our Company has given a great deal of thought to Old Age Pensions. Our staff of some 250 workers is just large enough to feel the real need, yet we have not the cash resources available to put in an adequate pension scheme, contributed to by the Company, jointly with the workers.

Our country is committed to the principle of private enterprise. Therefore, it is with some concern that one views the possibility of a huge state monopoly developing with regard to Old Age Pensions and I realize the stupendous cost to the Government if even our present $40 a month pension were relieved of the means test and age limit reduced to sixty-five.

I would like to see an adequate Old Age Pension available to everyone of say, somewhere between $60 and $100 a month, contributed one-third by the government, one-third by the employer and one-third by the recipient. Special arrangements could be made for farmers and others not in receipt of a regular monthly salary.

I believe the Canadian people, as well as industry, would appreciate and take a more vital interest in an Old Age Pensions scheme established on a contributory basis, rather than one that is paid entirely by the government with no joint responsibility on the part of employee and/or employer. Non-participation by them will of necessity call for increased taxation due to the tremendous drain on the treasury and, in addition, detract from the inherent principle of our democratic way of life. The obvious thing that occurs to an economy-minded business man then is, why not extend the Unemployment Insurance Act to take care of Old Age insurance?

If there is any assistance I could give at any time to yourself, your advisers or the Committee, I would be very happy to pass on the benefit of our experience, as an employer very much interested in the welfare of his workers.

May I again assure you that it is most timely that the Government is giving thought to this subject, as social security is at the very forefront of the thinking of the workers these days.

With very kindest personal regards, I am

Sincerely yours,

(Sgd) G. C. MORRISON,
President Morrison-Lamothe Bakery, Limited.

(Translation)

SUBMISSION BY U.C.C. OF ST. IGNACE, P.Q.

Cap St. Ignace,
April 26, 1950.

Jean Lesage, M.P.,
Ottawa.

Dear Sir:

As President of the U.C.C. (Catholic Union of Farmers) of St. Ignace, I believe that it is my duty to submit to you the following brief concerning the revision of the Old Age Pensions Act.

This brief has been unanimously approved by the members of our Association.

In our opinion, the present Act is particularly unfair to farmers, especially as regards the means test which it requires.

The farmer works very hard and saves, on a piece of land worth from five to ten thousand dollars, to live and to raise his family if he has one. He must perform miracles of work and thrift to achieve this end without mortgaging his property. And should he reach the age of 70 and have sons to whom he can leave his assets, he may not normally or at least honestly pass his means test, and if he is quite anxious to get his pension, he will have to transfer in advance his land and his property to his children and declare that he has no means of existence. Many honest farmers are loath to make such statements. Can a farmer who has a farm worth some five to ten thousand dollars and who has a little pride state under oath without dishonouring himself that he is indigent. No, the majority would rather deprive themselves and go without the pension. You will object that this old man may give his land to one of his sons and ask in return an annuity, although to be on the same basis as the indigent old person who has nothing he would have to require from his son an annuity of $500 if he were alone and $1,000 if his wife were living? Where is the son who would accept and especially who would be able to pay, even on a parcel of land worth $10,000, such an annuity to his parents? The present old age pension of $480 yearly is equivalent to the interest on a capital of $16,000 and, if both are pensioners, on a capital of $32,000. Where is the farmer in the province of Quebec who can hope to acquire even one half of this capital?

This is equivalent to saying that the Act as it now exists is encouraging unconcern and improvidence and even laziness. The farmer, the worker or even the professional man who is anxious to amass some capital and who is thrifty and provident, if he reaches the age of 70 with a small capital he is by that very fact excluded from the benefits of old age pension. This does not make sense.

We are therefore asking that the old age pension be paid to everyone who reaches the age of 70 (65 would be preferable) without a means test and we would be ready to approve any reasonable measure passed by the Government to achieve this purpose. The higher the pension rates are raised, the more the pension age is lowered, the greater will be the resentment of those to whom you

unfairly refuse that pension. This so-called generosity will only aggravate the false situation of those who make a conscientious effort to acquire, by their work and thrift, a few hundred dollars. By increasing the pension rate, you increase the cost of living and this places an additional load on those that are living with their own money. For instance, in 1949, the Government increased the pension to $40. Those who look after old people took advantage of this fact right away to increase the cost of living by $5 monthly and those who were paying with their own money had to stand the same increase. Because the Government had been generous, the latter had to pay $5 a month more. This is not encouraging and it is even arbitrary.

To conclude, it is proposed by Mr. Wilfrid Lemieux, seconded by Mr. Paul-Emile Guimond, that the brief prepared by our President be unanimously approved and that copies be sent to the Federal Government through our Member, Mr. Jean Lesage, as well as to the "Terre de Chez Nous" for publication.

Adopted.

(Sgd) Ls. Theoph. Bernier,
(*President*),

(Sgd) Antonin Richard,
(*Secretary*).

REGINA SECURITY CLUB

Regina, Sask.,
May 2, 1950,
P.O. Box 343.

Jean Lesage, M.P.,
Chairman,
Joint Parliamentary Committee on Old Age Security,
House of Commons,
Ottawa, Ontario.

Dear Mr. Lesage:

Thank you for your letter of April 24th, contents of which have been carefully noted. I regret that our committee will not have a brief prepared in time to be submitted to you by May 6th. I am therefore taking the liberty of writing a few lines for our committee composed of representatives of various Clubs, Ministerial Associations, Federation of the Blind, the Old Age Pension Association and the Security Club. I will set out some of the main points on which we agree. These are as follows:—

1. Elimination of the means test.
2. Introduction of a contributory Social Security Program.
3. An increase in the amount of the pension as funds become available through the scheme.
4. Lowering of the age gradually as the scheme proves to be within the financial capacity of such a contributory Social Security project.

In view of the fact that you intend to grant hearings to as many organizations as time will permit, I am of the opinion that further elaboration should be made at a later date. I know I speak for most of the service organizations and welfare societies in this city when I say that there is a decided sentiment amounting almost to a demand for adequate social security without a means test.

Yours very truly,

(Sgd) E. R. Powell,
President.

ERP/mk

L'ASSOCIATION DES TECHNICIENNES LAIQUES EN SCIENCES MENAGERES (THE ASSOCIATION OF LAY TECHNICIANS IN HOUSEHOLD SCIENCE)

Head Office: 461 Sherbrooke St. E., Montreal

(*Translation*)

The "Association des Techniciennes Laïques en Sciences Ménagères", Montreal Chapter, through its Executive Committee, at its meeting held April 25, 1950, unanimously resolved to submit the following brief for the kind consideration of the Old Age Pensions Committee of the Canadian Parliament:

WHEREAS under the present pension system, a person who has a small amount of capital is not entitled to an old age pension;

WHEREAS the technicians in household science make it a point to teach thrift and saving in all their forms;

WHEREAS the present system encourages improvidence rather than thrift and private savings;

WHEREAS while putting this teaching into practice, the worker does not succeed in amassing, during his working life, enough capital to enable him to obtain an annuity;

WHEREAS the old age pension now granted does not enable a pensioner, even a most frugal one, to live adequately, due to the present high cost of living which will probably remain high for a long time yet;

WHEREAS this situation could and should be improved, the technicians in household science respectfully submit the following recommendations to the Committee on Old Age Pensions of the Canadian Parliament;

THAT the contributory system of old age pensions as submitted at the last session of the Canadian Parliament be accepted and put into force with a minimum of delay;

THAT all members of society, be they rich or poor, contribute to the pension fund and derive all benefits therefrom;

THAT the pension age be set at 65 years instead of 70;

THAT the pension be raised from $40 to $50 per month.

Respectfully submitted,

(Sgd) Madeleine Miller,
Secretary.

Montreal, April 28, 1950.

BRIEFS FROM THE DOMINION ASSOCIATION OF SUPERANNUATED CIVIL "OLD AGE SERVANTS"—QUEBEC BRANCH

To: Joint Committee of the Senate and the House of Commons.

Respectfully submitted:

We beg your serious consideration in behalf of "Old Age Civil Servants of Canada"—Herewith enclosed the list recorded by the comptroller of the Treasury Board.

1. 13,523 on old age pension—from these figures 10,691 receiving from $20.00 to $99.99;

2. We believe these old age servants should be granted with a supplement of $20.00—semi-pension: as considering the figures of the attached "Brackets Report", you will find that 97 per cent of them are receiving from $20.00 to $59.99 monthly;

3. Such supplement of $20.00, would not even meet the actual cost of living;

4. Since 1924 to 1950, these "Old Age Civil Servants" has remained at the same level, without any benefit of Cost of Living Bonus as some other groups had obtained;

5. Therefore, we sincerely believe, Honourable Members of the Joint Committee, you SHALL honour us with the best consideration.

6. We would be honoured to appear before your Committee to expose in details our unfortunate situation;

7. All branches will forward official approval of the above "Briefs".

Respectfully,

(Sgd) J. O. Belanger,
Secretary of the Dominion Association.

"Old Age Civil Servants",
Quebec Branch,
Quebec City, 20 Fraser Street.

Number of "Old Age Retired Servants" receiving of monthly pension amounts with each of the following "brackets" as at March 15, 1950:—

(*a*) less that $20.00 per month—1,106 servants;
(*b*) $20.00 to $29.99 per month—1,365 servants;
(*c*) $30.00 to $39.99 per month—1,417 servants;
(*d*) $40.00 to $59.99 per month—1,384 servants;
(*e*) $60.00 to $69.99 per month—1,211 servants;
(*f*) $70.00 to $79.99 per month—932 servants;
(*g*) $80.00 to $89.99 per month—941 servants;
(*h*) $90.00 to $99.99 per month—780 servants;
(*x*) 97% less that $100.00.

Old Age Retired Civil Servants:—

British Columbia	1,976
Alberta	479
Saskatchewan	201
Manitoba	544
Ontario	6,128
Quebec	2,605
New Brunswick	340
Nova Scotia	533
Prince Edward Island	72
Newfoundland	6

MEMO OF THE ASSOCIATION OF SUPERANNUATED CIVIL SERVANTS GOVERNMENT OF CANADA

To the Members of the House of Commons at Ottawa—

1.—Please note since 1924 to 1950, the retired Federal Civil Servants have always remained at the same level.

2.—That they have been obliged to meet all increases in the cost of living without receiving any bonus or increase in pension, contrary to that allowed by other countries.

3.—As example: The United States granted 25% to those receiving less than $100 per month and $300 to those receiving more than $1,200 annually, Great Britain, Australia, New Zealand and Newfoundland allowed 20% to 25% to their retired civil servants.

4.—On March 15, 1950, there were 13,523 retired civil servants, and out of this total, 10,203 received less than $100 a month ranging from $20 to $99.99 a month.

5.—At the time the Civil Servants subscribed 5% on their salaries, the dollar was worth 100%, but at present it only can buy from 55 to 60 cents.

6.—It is suggested that: 25% increase for those receiving less than $100 per month; it is suggested that 20% or $300 per annum be granted those getting over $100 per month.

7.—That the Government allow old age pension without means test to be added to the pension.

8.—That retired Civil Servants be allowed to obtain work at certain times of the year, such as during holidays, census or sale of radio licences, etc., etc., We beg you, Gentlemen, to honour us with your serious consideration and support to present before the Government our claims. Thanks.

Yours very truly,

The retired civil servants of
Quebec, Montreal, Ottawa, Toronto,
British Columbia, Alberta, Saskatchewan, Manitoba,
Nova Scotia, New Brunswick, Newfoundland
and Prince Edward Island.

DOMINION FOUNDRIES AND STEEL LIMITED

Hamilton, May 2, 1950.

Rt. Hon. Louis St-Laurent,
Prime Minister of Canada,
Ottawa, Ontario.

Sir:

Recently, I was quite startled when I read that Canada's annual social security bill now stands at about $700,000,000. Knowing of the demands on your Government to increase pensions, I am writing to call your attention to the Plan which our Company adopted 12 years ago, with the idea that possibly there is a way to provide pensions without a serious increase in taxes.

Briefly, our plan is that all workers save 5% of their wages, up to a maximum of $150 per year. Our Company contributes 10% of net profits with maximum four times employees' savings.

Has Plan succeeded? Yes, beyond our fondest dreams!

Starting with 800 Fund members—now 2,000—workers have saved $1,735,444.67 (including interest) and their total credit is now $6,702,767.02.

We believe our workers realize the Company's contribution is not a "handout" but that they (the workers) can, and do, help to make the profits. There is the added dignity of knowing their savings are an important part of the total credit.

Could such a plan work across Canada? Frankly, we do not know, but suggest that the success of our Plan proves that it should be investigated. We do believe that most Canadians are ready and willing to use part of their savings for investment in old age pensions.

I am taking the liberty of attaching my ideas of how retirement security could be started on a national scale. I am also attaching copy of our Fund contract booklet, and a copy of my own credit in our Fund.

In writing you my one thought is to draw attention to one type of pension plan which has been successful. A study of this set-up might possibly furnish ideas which could be used nationally.

If we can be of service, please call on us.

Sincerely yours,

F. A. SHERMAN,
President.

CONTRIBUTORY PENSION PLAN

1. This plan covers any Canadian under 60 years of age willing to set aside part of his savings for old age pension.

2. No funded debt or liability to Federal or Provincial Governments, other than money to be collected, plus interest, this interest to be 6%, with Provinces paying one-half, or part of this high rate.

3. Pensions to be in the form of Government Annuities.

4. Amount of pension to be determined by credits accrued.

5. Cash surrender value in event of death or disability.

6. Employee, or other participant, to save 5% of income up to $3,000. ($150 maximum savings).

7. Employer to contribute minimum of 5% of employee's wage up to $3,000. Farmers, doctors, lawyers, etc. to have the privilege of saving this extra 5%.

8. Plan to be mandatory for all industrial and commercial organizations.

9. Credits to be transferable from one job to another.

10. Collection to cease when sufficient to buy $1,800 pension per year,

11. All payments to be tax free, payments out to be taxed.

12. Employers willing to contribute or share profits (maximum four to one, including mandatory 5%) to have the privilege of setting up additional pension funds. This would be a separate contract between employees and employers, but subject to Government approval. A special Government pension bond would be of great assistance for such funds.

THE BOARD OF TRADE OF THE CITY OF TORONTO

TORONTO, May 5, 1950.

The Chairman and Members
of the Joint House of Commons and Senate Committee
on Old Age Security.

GENTLEMEN:—

The Board of Trade of the City of Toronto has noted that the question of Old Age Pension Security has been referred to a Joint Committee of the House of Commons and Senate, and that there have been proposals made before the Joint Committee that this matter should be dealt with by reducing the age of entitlement from 70 to 65 years and by eliminating the means test.

This Board is most grateful for the action of the Chairman of the Joint Committee in extending to May 6th the time for receiving a brief from the Board in order to give an opportunity to prepare a submission. However, because of the need for extensive study in this matter to develop statistical data on the factors involved and to relate whatever national scheme may be proposed to existing private pension schemes, which now cover more than

600,000 Canadian workers, the Board has found itself unable to submit at this time more than a general statement of its position.

According to the statement made in the House of Commons on March 10th last by the Honourable the Minister of National Health and Welfare, the cost of Federal pensions in 1949-50 on the existing basis is estimated at $94,000,000. Also, according to the estimates given by the Minister at that time, old age assistance for Canadians free of the means test at the rate of $30.00 per month at age 70 would amount to $242,820,000 in 1951, rising to some $375,156,000 in 1971. At age 65 the corresponding figures would be $396,504,000 for 1951 and $486,800,000 for 1971.

These figures should also be considered in relation to the projection of the statistics showing a trend to an increase in the proportion of Canadians in the older age groups and a decrease in the proportion of Canadians in the working-age groups. There is grave danger that the increased costs, as they will be affected by the tendencies mentioned, will result in heavier charges than can be borne by the economy of the country without injury to it.

Because of these facts, the Board of Trade of the City of Toronto recommends and urges that much more study than is possible during the present Session of Parliament should be given to the important matter of old age security before there is any reduction in the age of eligibility for assistance or elimination of the means test. Also, time is needed to enable the carrying out of exhaustive studies, some of which are understood to be under way at the present time by highly competent personnel, with a view to determining whether any better alternative plan can be devised within the financial means of the country having due regard for fluctuating economic conditions from time to time.

For these reasons the Board respectfully requests that no decision for final action be taken now and that a lengthy period be allowed to enable the thorough study which the subject deserves, and submission of the conclusions based on such a study.

Respectfully submitted,

F. D. TOLCHARD,
General Manager.

BRIEF BY DISTRICT FIVE, UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA

To the Joint Committee of the House of Commons and Senate on Old Age Security

May 5, 1950.

Gentlemen:

On behalf of our 25,000 members working in the electrical, radio and machine industries of Canada, our union, the Canadian District of the United Electrical, Radio and Machine Workers of America, welcomes this opportunity to place before your Committee our views on the type of old age security provisions urgently needed in Canada today to provide in a dignified way for the welfare of our senior citizens and to contribute to the welfare of the whole community.

For the information of the Committee we are attaching the resolution on old age pensions which was endorsed unanimously at our most recent annual convention held in Hamilton, Ontario, September 19 to 21, 1949.

After thorough discussion through the democratic processes of our union, it is our considered opinion that a completely new system of old age security is required in Canada embodying the following principles:

1. Pensions as a matter of right, without any means test.

2. Pensions at a stated age, such age to be set at sixty years.
3. Guaranteed minimum benefits sufficient to maintain minimum living standards at present prices, such benefits to be not less than the present maximum benefits under unemployment insurance, that is, $62.40 per month for each pensioner.
4. Full benefits to be paid immediately.
5. Universal pensions, to be paid to all Canadian citizens on reaching the stated age.
6. Full federal government responsibility for the payment of such pensions.
7. Pensions to be financed on a non-contributory basis, out of the general revenues of the government.

It should be noted that our proposals call essentially for applying the same principles to the care of our senior citizens that Canada has so successfully pioneered in for the care of our children through the family allowance system.

We strongly urge establishing a system under which pensions are assured as a right, without any means test.

Only a small fraction of Canadians have been able to set aside during their working years adequate reserves for their old age, and at today's high prices more and more families are finding it necessary to use every cent of their current income for daily living expenses.

The present means test is humiliating, an invasion of privacy, and a source of friction within the family. It puts a stigma of charity on the whole plan which deters many of our finest citizens who have devoted their lives to building up this country from claiming even the meagre rights to which they are entitled now.

It calls for an elaborate and costly administrative system, and fosters discrimination because of the difficulty of establishing uniform standards of interpretation.

It stands in the way of developing private plans such as industrial retirement plans, which could be readily developed as a valuable supplement to a universal pension payable as a right which served as a "floor" for all additional provisions.

It limits the whole plan virtually to a relief level, sacrificing the opportunity not only to bring some small happiness and comfort to our senior citizens but also to permit their "potential" demand as consumers to become an "effective" demand for consumer goods, thus maintaining markets and jobs.

We strongly urge a reduction in the pension age to sixty years.

Already workers of sixty and over are finding it more and more difficult to find jobs; many who are working are doing so at the expense of their health, while many are forced by their insecurity into unsatisfactory jobs and low-paid work by which they unintentionally undercut the standards of other workers.

Already short time, layoffs, and unemployment have become a serious national problem. Providing pensions for all citizens aged sixty and over would open some job opportunities directly for younger workers by permitting some of the older workers to retire, and would help to maintain job levels by stimulating the market for consumer goods.

We strongly urge the establishment of a guaranteed minimum pension, which we believe should be set at not less than the present maximum benefit under unemployment insurance, that is, not less than $62.40 per month for each pensioner.

The present maximum old age pension of $40.00 per month, supplemented in some provinces by small additional payments in cases of dire need, is at present prices little more than a protection against outright starvation.

Our proposal would not by any means provide an adequate living standard, but it would at least be an improvement over the present very inadequate provision.

It would provide a uniform "floor" upon which individuals and groups could build supplementary plans to provide more adequate pensions.

An increase in benefits at this time would of course also contribute to maintaining consumer demand and so to economic stability and job opportunities.

We strongly urge that the full pension benefits provided for under any plan be put into effect immediately the plan is approved, without any long drawn out process of building up pension rights over a period of years. We believe that the old age pension should be looked on as the right of every Canadian citizen of older years just as the family allowance is the right of every Canadian child. Any provision for only a gradual accrual of rights would be unfair to our present citizens of pension age and those already too old to establish full rights. It would also call for an unnecessarily complicated administrative machinery.

We strongly urge a universal pension plan on a national scale, under which the guaranteed pension would be paid to all Canadian citizens who have already reached the stated age and to all reaching it in the future. Any other type of plan leaves room for discrimination in treatment between individuals depending on the province in which they live, the lengh of time they have lived there, or the industry in which they work. Only under a universal national plan can there be assurance of protection for the people who need it most.

We believe that the responsibility for such a universal national plan must rest essentially with the federal government. Any attempt to divide the financial responsibility with the provinces would put an impossible burden on the less economically developed provinces or re-introduce discrimination against the Canadian citizens who live in these provinces.

We would further emphasize here that a uniform national plan of universal pensions without a means test of a guaranteed amount at a stated age is the fairest, most efficient, most economical, and most socially valuable, method of making adequate provision for our older citizens.

Such a plan must necessarily be a government plan. Even the best of privately organized plans can never achieve the full coverage of all citizens that is required and may have long run social and economic consequences that are not in the best interests of the whole community.

We believe that industrial pension plans, for example, are in no sense a substitute for a national plan. They cannot possibly be extended sufficiently widely to protect every Canadian citizen, and under the present conditions where there is no basic old age security on a national scale it is difficult to eliminate the employer-imposed requirement of long service with a single company which tends to restrict employment opportunities for older workers, to restrict labour mobility, and to establish a relation of dependence on the employer that militates against independent labour organizations and genuine collective bargaining. Once the present barrier of the means test is removed, however, they could be a valuable supplement to a national government "floor" plan, providing additional protection.

We further believe that the only appropriate method of financing the national plan which we propose would be on a non-contributory basis, paid for year by year out of current revenues from the general government revenue fund.

It may be argued that it is necessary to build up reserves, because the cost of any plan adopted now will grow steadily from year to year as the population grows older. But also year by year, unless interrupted by depression or war, the national income will rise as a result of increasing productivity and so will the government funds available to assure adequate care for our older citizens. In spite of an increasing number of pensioners and also some increase in the maximum pension benefits payable the proportion of total national income being devoted to old age pension payments today is less

than it was twelve years ago. The plan that we are proposing now would almost certainly take a slightly smaller proportion of the national income ten years from now than it would next year, and an even smaller proportion twenty years from now.

There are many practical reasons for proferring a non-contributory plan, to any form of contributory plan whether it should take the form of the traditional payroll deduction method used in Great Britain and the United States or of some new form of social security tax or even a special income tax ear-marked for social security. Some of these reasons are particularly important in Canada because of the constitutional and economic structure of our country.

A non-contributory plan could be introduced at once by action of the federal government alone. It would not require any protracted negotiations with the provinces such as would be required under a contributory plan.

A non-contributory plan could be applied universally to all citizens much more easily and would require less administrative machinery than a contributory plan. Contributory schemes of any kind are very difficult to administer unless they are confined to groups with clearly definable incomes, which means essentially to wage and salary earners and even there only to those with relatively stable employment. In a country like Canada, with its large self-employed population and its high degree of seasonal employment, any plans so limited in its coverage would fail to protect many of the people who need protection most.

The experience of other countries has shown that the introduction of a contributory old age security plan does not solve the immediate problem of providing for the older citizens now, and that a parallel non-contributory plan has to be maintained for many years. During these years the contributory plan provides only low benefits, requires costly administrative machinery, and calls for heavy contributions which limit the purchasing power of the contributors who are the basic market for the products of modern mass production industries. For example, in the United States, after fifteen years of operation during which workers and employers have each been contributing 1½ per cent of payroll, the average contributory pension paid today is only $26 a month.

A non-contributory plan financed out of general government revenues adheres much more closely to the principle of ability to pay and allows much more flexibility in adapting the taxation system to the overall needs of the country than any type of contributory plan. A non-contributory plan allows for the financing of all essential public services on an integrated basis. A non-contributory plan permits the whole tax structure to be organized so as to contribute to economic stability and progress. A non-contributory plan makes possible the redistribution of national income in a more equitable way, which will channel buying power into the hands of the people who are most likely to use it to purchase consumer goods and so to maintain markets and employment, where a contributory scheme at best redistributes income within a narrow range of income groups who all need their full current incomes for the necessities of daily life. A non-contributory plan does not require any building up of large reserves which drain off the purchasing power of the people and raise serious problems of investment for the frozen funds.

The Honourable Mr. Martin, Minister of National Health and Welfare, supplied the House of Commons on March 10 this year with a table showing the costs of various plans. According to this table the present annual cost of the plan that we propose, providing a universal pension with no means test at sixty years of age of $60 a month, would be $1,175 millions. The cost of a similar plan but with the higher age requirement of sixty-five years would be $793 millions. The extra costs of a $62.40 per month plan would probably

be covered by the $135 millions a year that the federal government and the provinces are already spending under the present limited and unsatisfactory plan.

The Honourable Mr. Abbott, Minister of Finance, has taken the position that social security can only be improved if additional taxes are raised. But in this coming year the federal government is planning to spent $425 millions on the army, navy and air forces and on research for war, over half the additional cost of an adequate plan of old age security (over 80 per cent of the additional cost of the sixty-five years plan) which would assure more jobs, more economic stability, and so more tax returns to the government, as well as bring some comfort and happiness to over one and one-half million Canadians who have in their own lifetime endured the horrors of two world wars and one world-wide depression.

Then, too, if the federal government had applied the same tax rates to corporate profits in 1949 as it applied in 1945 it would have collected $303 millions additional revenue.

We cannot agree with the Prime Minister that the cost of adequate provision for our older citizens is too high for this country, with his view that "we cannot have that proportion of the income of the nation derived from ordinary taxation devoted to old age pensions" (*Hansard,* Feb. 20, 1950). In our opinion we cannot afford to have less.

Layoffs and short time are already a major national problem because the buying power of the Canadian people is not keeping pace with the tremendous expansion of industrial capacity of the last few years and cannot absorb the flood of goods that Canadian industry is now equipped to produce. Additional income placed in the hands of our older citizens now would quickly change this large "potential" market for Canadian consumer goods which is now choked off by lack of income to buy into an "effective" market. Similarly an assurance of protection in old age for hundreds of thousands of Canadian workers and other small income families who are painfully striving to set aside some small reserve would free them from the haunting fear of insecurity and allow them too to become more "effective" consumers. Such a rapid expansion of consumer buying power is precisely what is needed in Canada today to assure jobs and a high level of economic activity.

The cost of adequate provision for our senior citizens in terms of dollars may seem large. But so are our obligations to the men and women who have given their lives to build our country, and so are the costs of depression and economic collapse. No modern nation can consider itself civilized that does not care in a dignified way for its aged, its children, and its sick and disabled. If by spending 7 per cent of Canadian national income on our older citizens, and by so doing giving them the opportunity to buy the products of Canadian industry and to keep Canadian workers at work, the money will be well invested in the future of this great country of ours.

We strongly urge the importance of establishing a comprehensive modern system of old age security in Canada today. The plan we have outlined here embodies the basic principles which we feel it is essential to establish now in the immediate interests of our older citizens and of the nation as a whole, and which we feel are the most appropriate principles on which to base a plan of old age security in Canada to protect our older citizens in coming years.

OLD AGE PENSIONS

Resolution unanimously endorsed at annual convention of District Five, United Electrical, Radio and Machine Workers of America, on September 19 to 21, 1949, at Hamilton, Ontario:

WHEREAS: the care of our aged people is a clear cut responsibility, and

WHEREAS because of the miserable pittance presently paid to old age pensioners, they are living in a state of semi-starvation, and

WHEREAS: Federal and Provincial Governments have and are using the plight of the old age pensioners as a political football;

THEREFORE BE IT RESOLVED: that this Annual Meeting of District Five Council demand that the Federal Government accept complete responsibility for Old Age Pensions, and that pensions be immediately increased to a minimum of $50.00 per month at the age of 60 *without the means test*, and

BE IT FURTHER RESOLVED: that on the basis of established need, this amount to be increased to at least the *maximum* amount paid to an unemployed person under the Unemployment Insurance Act.

AMERICAN STOCKHOLDERS' UNION

1009 LUMSDEN BUILDING

TORONTO 1, CANADA

May 8, 1950.

To—The Old Age Security Committee of the Senate and Commons:

This brief is respectfully presented to you as a viewpoint of ownership in general and of owners of corporative stock in particular.

At this time, you have already received sufficient submissions to indicate that practically all citizens of Canada want security provision for the aged, but, in presenting briefs, little has been said by any, and nothing by most, to pinpoint the source of additional funds necessary to extend present pension payments.

In this day and age of everyone wanting more for less, you may agree that the problem of serving larger portions from a smaller pie is acute: it cannot be truthfully stated that the pie is larger now than before. Such larger portions that are presently being received by labour, and by the farmer through subsidies, are obtained through paying government bond investors $6\cdot\frac{1}{4}$ loaves of bread for each 10 loaves invested, by last year's 10 per cent tax increase to foreign investors in Canada, and other similar measures detrimental to the welfare of the owner class.

Who is to provide the money for what would soon amount to a billion dollars a year if the ideas advocated by some should become effective? It would not be labour, the union members of which now enforce their demands on a take-home-pay basis, with unemployment, accident, holidays, pensions, etc., disregarded as active income. Nor would it be the farmer so long as he is subsidized to produce at a loss.

The only source remaining is ownership—that thrifty group which, instead of converting wages, salaries or profits forthwith into consumer goods, re-invested in future Canadian trade expansion. This group has not been vociferous. It consists of stockholders, bondholders, property owners, insurance beneficiaries, individual businessmen—and farmers—together with those who have invested their time and money in becoming proficient in professions; also those citizens

of other countries who have believed in Canadian integrity and therefore invested their funds with us. Undoubtedly the thought in the minds of labourites and socialists is to dig still deeper into the pockets of ownership.

Much is being said of the loose promises made in last year's election campaign to abolish the means test, but the end result of that election was an overwhelming defeat of socialism. The promises made by candidates are of little moment: the thing that matters is the verdict of the electorate. We respectfully contend that the will of the people should not be thwarted by a piecemeal institution of socialism—but that is exactly what would happen if pensions were paid to "have-nots" by money taken from the "haves".

We could elaborate at length on the hard work and thrift which has created Canada's body of one and a half million stockholders—and add to the number those indirect owners who save through insurance policies. The forces of ownership outnumber labour's political pressure group, but ownership has not maintained a similar political pressure system. Representations made on behalf of ownership have been left to management, which is highly restricted because it possesses no mandate from its employing shareholders other than to conduct specific company business.

Government maintains highly expensive departments for the benefit of labour and farmer, and in greater part pays for these services with money taken from industrial ownership. Nothing is given to industrial ownership by government in return for the enormous sums received from it. As a consequence, government is actively engaged in disseminating propaganda favourable to labour and farmer, and detrimental to ownership.

In the circumstance, it would be most unfair to arrive at a decision in this matter until such time as opportunity for publicity and propaganda has been made equal to all concerned. Already the take-home-pay to ownership from its earnings is down to about fifty-five cents on the dollar, while that of labour is more than ninety cents. Any further discrimination will intensify the strike of capital now in progress, leading to complete statism with its attendant evils.

We therefore recommend:

1st. That no action shall be taken by government to extend old age security payments within a minimum period of eighteen months.

2nd. That within a period of six months the Department of Finance, or some other suitable department of government shall make available to overall ownership publicity media adequate in its relationship to that now given to labour by the Department of Labour and to farmers by the Department of Agriculture.

Respectfully submitted this eighth day of May in the year of our Lord one thousand nine hundred and fifty.

AMERICAN STOCKHOLDERS' UNION,

Per: THOMAS A. SUTTON,
Organizer.

SUBMISSION BY THE DIVISION ON OLD AGE OF THE WELFARE COUNCIL OF GREATER TORONTO

To: The Joint Committee of the Senate and House of Commons on Old Age Security—

The members of the Division on Old Age of the Welfare Council of Greater Toronto wish to make four suggestions for the consideration of the Parliamentary Committee on Old Age Security. The Division on Old Age includes public health nurses, matrons of homes for old people, doctors, home economists, social

workers, Salvation Army Officers, ministers, recreation leaders, and board members from thirty-five organizations working with old people. (See list attached.) This broad representation of lay and professional people from public departments and privately-financed services, from Jewish, Catholic and non-sectarian groups, agree that the following points regarding old people in this metropolitan area, merit special attention:

1. *Employment:*

Work is essential to the old person's mental health. If our present retirement policies continue and the proportion of old people increases, the financial burden on workers will be too heavy. Old people, therefore, should be employed as long as they are willing and able and there should be nothing in the old age security plans and legislation to discourage their participation in production. The retiring age should not be fixed by chronological age.

We submit, therefore that the Department of Labour be asked to make a study of opportunities for full employment and, in addition, to study the relationship between part-time employment and sheltered employment, and the need for using the skills and experience of people who no longer can do a full day's work.

2. *Old Age Allowances:*

For those who are no longer able to support themselves by their own work, an adequate national old age allowance should be provided to cover the ordinary needs of food, shelter, clothing, laundering, recreation and incidentals.

We recognize the great range of living costs in various parts of Canada, of which the most important variable is the cost of living accommodation. It appears, therefore, that if the basic old age allowance is at a rate which is nationally acceptable, special plans for providing low-cost and suitable quarters for well, old people must be made in high-rental areas, such as Toronto

Large urban centres have many people who move into the city late in life. In Toronto the living facilities have been geared to family life rather than to single persons. Older people are not acceptable as roomers in many of our rooming houses and housekeeping privileges are denied to old people. We need apartments of one, two or three rooms for single old people and couples, at a rental which is within their ability to pay, and situated close to stores, churches and trasnportation facilities.

We suggest, therefore, that Central Mortgage and Housing Corporation be advised to use some of its research funds for study of living accommodation for up-and-about old people as part of communty planning.

3. *Old Age Assistance:*

The basic pension will, at the best, take care of only ordinary needs, and provision must be made for extraordinary expenditures such as the purchase of medical appliances, dentures, glasses and repairs thereto, special diets, heavy overcoats, special shoes.

We urge that the Dominion-Provincial Conference, called for the autumn of 1950, consider a special assistance program based on the personal needs of elderly people not eligible for old age allowance, as well as for those in receipt of an old age allowance.

4. *Medical and Nursing Care:*

Very little attention has been given to the needs of sick and infirm old people. We, therefore, urge that provision be made for study and research in geriatrics, and that the medical, nursing, nutritional and rehabilitation needs of old people be considered as an integral part of any national or Dominion-Provincial health program.

May 8, 1950.

DIVISION ON OLD AGE 1950.

Organization and Address	Representative	Address	Telephone
Academy of Medicine, 288 Bloor St. W.	Dr. Geo. S. Young...... Dr. C. A. Warren.......	82 Four Oaks Gate..... 530 St. Clair Ave. W.....	HA 4354 ME 5355
Canadian National Institute for the Blind, 186 Beverley St.	Miss R. Palmer......... Mrs. W. R. Caven.......	186 Beverley St......... 53 Nanton Ave..........	WA 2331 RA 5709 RA 2325
Catholic Welfare Bureau, 67 Bond St.	Mrs. P. O'Sullivan......	67 Bond St..............	EL 3155
Central Neighborhood House.......	Mrs. E. Bethune........	349 Sherbourne St.......	RA 4212
Church Home for the Aged. 87 Bellevue Ave.	Sister Mabel, S.S.J.D...	87 Bellevue Ave.........	MI 8816
Council of Jewish Women, 44 St. George St.	Mrs. Julius Rothblatt... Mrs. H. T. Thomson....	Frontenac Arms Hotel.. 306 Jarvis St. 1660 Bathurst St........	EL 8006 OR 1257
Deaconess Assoc. of United Church.	Miss Etta Hart.........	Fred Victor Mission..... 147 Queen St. E	EL 6289
Dept. of Public Health, City Hall.	Attn: Miss V. Carroll.... (465 Bay St.) Attn: Miss G. McIntosh (465 Bay St.)	Dr. G. P. Jackson,..... M.O.H., City Hall Dr. G. P. Jackson, M.O.H., City Hall	PL 6481
Dept. of Public Welfare, 465 Bay St.	Miss R. J. Morris....... Miss M. Douglas........	465 Bay St.............. 465 Bay St..............	WA 1082 WA 1082
Diocesan Council for Social Service.	Mrs. H. L. Enman...... Rev. C. J. Frank.......	47 The Kingsway....... 10 Trinity Square.......	LY 3305 EL 1027
Downtown Church Workers, 65 Church St.	Sister Teresa............	32 Lowther Ave.........	KI 5384
Good Neighbours Club, 55 Gould St.	Mr. Roland Webb....... Mrs. M. Birchard.......	55 Gould St............. 37 Metcalfe St...........	WA 6807 MI 3886
House of Providence, 65 Power St.	Sister St. Paul..........	65 Power St.............	EL 6095
Ina Grafton Gage Home, 2 O'Connor Drive.	Miss A. E. Lang........ Rev. R. C. Chalmers...	2 O'Connor Drive....... 533-299 Queen St. W....	GE 3366 AD 1797
Jewish Family and Child Service, 179 Beverley St.	Miss Sarah Rhinewine.. Mrs. D. Vise............	179 Beverley St........ 15 Elderwood Drive....	PL 5831
Jewish Social Service Agencies, 150 Beverley St.	Mr. Ben Lappin.........	150 Beverley St.........	AD 0491
Julia Greenshield's Home, 586 University Ave.	Mrs. P. Sifton.......... Mrs. C. E. Hofmann....	586 University Ave..... 1 Clarendon Ave........	EL 2732 MI 2632
Lambert Lodge, 350 Christie St.....	Mr. C. E. LeBer........ Alderman A. H. Cowling, Jnr.	350 Christie St.......... 21 Evans Ave...........	AD 0715 ME 5772
Laughlen Lodge, 87 Elm St........	Miss Irene Sherrin.......	87 Elm St..............	AD 0715
Neighborhood Workers Association, 22 Wellesley St.	Miss G. K. Charles..... Mrs. H. C. Wood.......	18 Gifford St........... RR No. 2 Pickering, Ont.	KI 3126 SCARB. 2262
Red Cross Soldiers' Club, 674 Dundas St. W.	Mrs. P. G. Thomas..... Mrs. W. E. Berkinshaw..	674 Dundas St. W...... 400 Russell Hill Rd.....	WA 5133 HU 6234
St. Elizabeth Visiting Nurses, 67 Bond St.	Mrs. Arthur Kelly...... Mrs. Mildred Enright	3 Mackenzie Ave........ 67 Bond St.............	MI 9014 EL 3803
Salvation Army, 20 Albert St.......	Lt. Col. V. Pearl Payton Maj. Benjamin Bourne..	538 Jarvis St............ 248 Dufferin St.	PR 2563
Second Mile Club, 192 Carlton St....	Mr. John Falconbridge.. Mrs. Florence Warriner..	192 Carlton St.......... 20 Sutherland Dr., Leaside, Toronto 17.	MI 4641 MO 0717

Organization and Address	Representative	Address	Telephone
Society for Crippled Civilians, 91 Jarvis St.	Mr. B. E. Parks Miss J. Casey	91 Jarvis St. 91 Jarvis St.	WA 6141 WA 6141
Social Service Assoc. of Toronto Gen. Hospital.	Mrs. H. E. Rykert Miss Pauline Steeves	70 Poplar Plains Rd. 101 College St.	MI 4142 AD 1271
Strachan Houses, 790 Queen St. W.	Mrs. B. W. Thorne Miss Kathleen O'Grady.	388 Quebec Ave. 790 Queen St. W.	JU 5504 WA 3767
Toronto Aged Men's and Women's Homes.	Mrs. D. F. Palmer Mrs. J. Wm. Gale	223 Ellis Ave. 83 St. Clair Ave. W.	JU 3737 KI 2084
Toronto Jewish Old Folks' Home, 31 Cecil St.	Mr. A. Rovner Mr. B.M. Gottlieb	Acme Cloak Co. Ltd., 110 Spadina Ave. 31 Cecil St.	PL 6261 WA 4886
Toronto Men's Hostel, 229 Gerrard St. E.	Mr. F. W. E. Bartholomew. Mr. B. C. Harvey	245 Wright Ave. 229 Gerrard St. E.	LO 6472 MI 8572
Victorian Order of Nurses, 281 Sherbourne St.	Miss Ella Grant Mrs. H. M. Cassidy	275 Huron St. 2 Heath bridge Park Rd.	RA 6323 MA 5724
Victorian Order of Nurses, York Township, 2356 Dufferin St.	Miss B. I. Wilson	2356 Dufferin St.	KE 4200
Visiting Homemakers Association, 511 Huron St.	Miss Aileen Coate Miss Margaret T. Saer	511 Huron St. Apt. 6, 21 Avenue Rd.	RA 1179 MI 4513
Women's Patriotic League. 90 Isabella St.	Mrs. Edgar Duthie Mrs. Peter Kirkness	125 Balmoral Ave. 90 Isabella St.	MI 1466 KI 2522
Women Electors	Mrs. I. R. Pounder	19 Glen Gordon Rd.	LL 7956

CO-OPT MEMBERS.

Name	Address	Telephone
Lt. Col. Hilda Aldridge	1529 Bathurst St.	RE 8642
Mr. Stanley Crow	Dept. of Public Welfare, Province of Ontario, Queen's Park.	AD 1211
Miss Gertrude Dunham	National Employment Service, 200 Bay St.	AD 8341
Mr. W. J. Feasby	616 Windermere Ave.	LY 6310
Mrs. W. L. Grant	7 Prince Arthur Ave.	KI 5467
Mr. L. E. Ludlow	Dept. of Public Welfare, Province of Ontario, Queen's Park.	AD 1211
Miss May McDonald	174 Langley Ave.	HA 8775
Miss Ruth Mackenzie	112 St. Clair Ave. W.	
Miss Helen Parsons	D.V.A., 55 York St.	AD 6641
Mrs. H. M. Purser	Globe & Mail, 140 King St. W.	WA 7851 RA 3888
Dr. W. G. Scott	12 Shuter St.	WA 3871, Loc. 144
Mrs. M. H. Spaulding	4 Elm Ave.	MI 8661
Miss Mary Lovering	51 Grosvenor St.	RA 6210

SUBMISSION BY H. C. OSBORNE

1304, Gordon Ave., Hollyburn, B.C.
1st May, 1950.

Mr. James Sinclair, M.P.,
Ottawa, Ont.

Dear Mr. Sinclair,

The Special Committee on Old Age Pensions appear to be having considerable difficulty regarding the elimination of the means test.

I would like to suggest, if you deem it has sufficient merit, that you pass the following formula to this committee.

1. Pay O.A.P. to all persons over ? years of age who apply for same.
2. All persons in receipt of O.A.P. be required to file a special income tax return annually, showing total amount of income received from all sources, including O.A.P., Disability Pension, Unemployment Insurance, etc.
3. Where the total income from all sources exceeds the usual statutory exemption, the amount of income in excess of the statutory exemption and up to the amount of O.A.P. received shall be subject to a special 100 per cent tax. The income remaining will then be assessed in the usual manner.

The several advantages of this plan will, I think, be apparent without further elaboration by me.

Yours truly,

(Sgd) H. C. OSBORNE.

FLIN FLON COUNCIL ON REHABILITATION AND POST WAR RECONSTRUCTION

RESOLUTION ON SOCIAL SECURITY IN INDUSTRY

Whereas the studies and deliberations of Councils on Post War Reconstruction are many and varied, and

Whereas the same studies are all directed towards security of a livelihood for both the returned men and civilians alike, and

Whereas the kind of security aimed at should be a permanent nature, and

Whereas the Advisory Committee on Post War Reconstruction under the chairmanship of Dr. Cyril James, have presented a plan on Social Security to the Government of the Dominion of Canada, and

Whereas we are of the opinion that a solution to some of our anticipated Post War Problems may well be presented by Local Councils on Post War Reconstruction, and

Whereas we are further of the opinion that an interchange of ideas combined with free discussion, will eventually produce a solution.

Be it therefore resolved that the Flin Flon Council on Rehabilitation and Post War Reconstruction petition the Members of the Government of the Dominion of Canada to give earnest consideration to the attached Report outlining our Proposed Plan for "Social Security in Industry."

(Sgd) C. STEVENTON,
Chairman, Committee on Social Security.

Social Security in Industry

The topic of conversation these days generally turns to some prescribed means of attaining Social Security. Just exactly what is meant by Social Security is sometimes somewhat vague, yet all agree that the blanket term anticipates a betterment of conditions, particularly for the working classes.

The various forms of Social Security already presented, both here and in the Old Country have tken into consideration such benefits as Unemployment Insurance, Dental care, Medical Treatment, Maternity grants, Industrial disability, etc. No one can deny that these measures are all beneficial in so far as they tend to make the working classes secure from conditions that may or may not arise. Some people may get along very well without having to pay excess sums for Dental care, others may be comparatively free from the need of expensive Medical attention. The Unemployment Insurance does not cover every employee but only certain categories. These various phases of Social Security are already under consideration and will, therefore, eventually find their place in the security set-up.

On the other hand there comes a time in every man's life when he either passes on thereby escaping the worries of his later years, or, he attains an age when he no longer has a place in industry.

This latter condition is brought about by several reasons, some of which will be rectified by Social Security measures now being considered. By this, we mean that the mental state of the individual will be improved by less worry, together with the fact that whatever ailments or sicknesses may occur will be taken care of. The mental state will affect the physical state, thereby enabling the workman to continue in health for a longer period.

There is, however, a long span of life in which a person must continue to work before attaining the age at which he is entitled to what is now called, the "Old Age Pension".

Some Social Security measures have deemed it wise to reduce this age limit from what it is at the present time together with a slight increase in the Pension Benefits.

Social Security measures should be all-embracing in their scope but must of necessity be arranged to accommodate each branch of individual enterprise. Industry is the predominant factor in Canada's Economic System. The training given the men in His Majesty's forces is an indication that Industry will be the preferred vocation of the returned men. With this thought in mind together with the fact that we are more conscious of and conversant with Industrial problems, this discourse is restricted to the problems of Social Security in industry.

It appears that the main reason for concern with all of the great economists is the fact that industry has never been able to accommodate all the people who have desired employment. It is foolish to bribe our imagination with the dream that the Post War Economic World will remedy altogether this lapse of employment, particularly will this be true if the same system in industry is adhered to, and aggravated by, the additional number of recruits to its ranks after the war.

We repeat, the most vital phase of Social Security for the new world is a measure that will guarantee employment for all who would ordinarily seek employment in industry. This can be accomplished by regulating industry insofar that one man is prepared to retire when another young man is ready to start.

By the phrase, "Prepared to Retire" we mean that he will have reached the age when he will have given his best to industry and can be replaced to better advantage by a younger man. This, however, is not all. He will have

built up an estate for himself by contributing to a Pension Fund, commencing with his first pay cheque. The average person does not expect to get much for nothing and would, therefore, be prepared to contribute to such a scheme. This does not mean that he should be expected to contribute all, but rather that his contributions should be subsidized by contributions from other sources. At the present time there are in force various Pension Plans amongst the larger industrial plants, the civil service, etc. These Pension Plans differ in some respects but most of them work on an Employer-Employee basis. The age at which the employee retires is, however, too advanced and could be reduced by the contribution being augmented by the Government from taxation. The government's contribution would make the whole more equitable if based on income tax figures.

The plan would also need to be compulsory in order to make it Nation wide, and by being Nation wide, an employee would be at liberty to move from one employment to another and still retain his or her membership. The contributions should be based on a percentage of the employee's earnings and the benefits should be based on a cost-of-living index at the time the benefits are paid, at the same time being commensurate with his or her obligations. The age at which the Pension should mature should be Ffty-five (55) and if an employee retires at that age he would receive this pension but if conditions at that time warranted, he may continue to work but should not receive his pension in addition to wages earned. In any event, retirement from industry should be compulsory at sixty (60).

The cost of a pension scheme with a low retiring age is much more expensive than one with a higher retiring age, but having regard to our endeavor to prove from the point of view other than Financial, the desirability of retirement at fifty-five (55), is it not worth while to pay the bigger bill, for after all it is a life pension that is needed—not a burial allowance? It will certainly be said that many men are at their best around sixty (60) and well known names can be instanced to support such a view, but as a rule those men are not the type of people who would require the protection of a pension scheme, and among the great army of rank and file to whom especially pension schemes are applicable, the earlier age of retirement seems to be desirable.

The Pension Scheme should be controlled by a Dominion Government Board. It would be the duty of this board to have complete data at all times with respect to the cost-of-living index and the condition of industry with regard to employment.

Although retirement from industry should be compulsory at age sixty, there would have to be exceptions made as conditions warranted.

If conditions prevailed whereby industry was in need of more help than was available below the retirement age, industry could make application to the Control Board for permission to offer employment to employees beyond the normal retirement age. By the same token, employees who had been previously retired should be in line for re-employment by their own willingness and the Board's sanction.

The Control Board should also decide whether certain employees were indispensable in particular industries and could make exception whereby they would be allowed to continue in employment beyond the normal retirement age.

As no employee, large or small, high pay or low pay, should be exempt from the scheme, we realize that in all fairness to industry, some exception would be necessary. By this means officials of industry would be able to continue in that capacity beyond the normal retirement age.

This scheme would leave industry free for employees up to the age of 55 and would assure security at an age when the employee would be best able to enjoy the fruits of his labour.

A SUMMARY OF THE SCHEME AS PROPOSED MAY BE MADE UP AS FOLLOWS COMPULSORY CONTRIBUTARY PENSION PLAN

Control: To be controlled by a Board appointed by the Dominion Government whose duties would be to Administer the plan and to make decisions with regard to employment as deemed necessary by conditions.

Contributions: To be split three ways, employee one-third, employer one-third, Government one-third.

The employee's contribution should commence with his first pay cheque and continue until one of the following conditions had been fulfilled:

(1) If the employee's contribution, when based on the set percentage of his wages or salary, exceeded the total required to mature the maximum pension, if paid for 35 years, then the employee's contribution should cease at a time when the required amount had been paid.

(2) If the employee's wage or salary was so low that the set percentage paid over a period of 35 years, was insufficient to mature the minimum pension, then the employee's contribution should cease after paying for 35 years.

(3) If the employee reached the normal compulsory retirement age prior to the time when his contribution had been sufficient to mature the minimum pension, then the employee's contribution should cease upon retirement.

In any event contributions should not be made for a longer period than 35 years.

The employer would make his one-third contribution as long as the employee worked for him. The Dominion Government should make its contribution from taxation by which means the employee in the higher brackets would be assisting the employee in the lower brackets. This would be so, due to the fact that some employees pay a greater amount in direct Income Tax than others. The government should also subsidize the employee's contribution for the period in which an employee is on workman's compensation or otherwise un-employed due to circumstances through which he is receiving benefits from a National source.

Retirement: Contributions should be figured to make possible a voluntary retirement at age 55.

Compulsory retirement should take place at age 60 unless conditions warranted as outlined under the duties of the Control Board.

Employees should be entitled to a certain extra amount of pension per month for each year worked beyond age 55 up to age 60, if his premiums already paid permit him to retire at age 55, but in no case to exceed the maximum pension.

Adequate Pension: A minimum pension of 60 dollars per month should be paid to single men or women who retire at age 60 provided they have paid into the scheme for ten years or more. If under ten years in scheme, beneficiaries should be paid a monthly pension equal to forty per cent of their average monthly earnings over the period they have been in the scheme, but in any event not to exceed the minimum pension of 60 dollars.

A minimum pension of 80 dollars per month should be paid to a married man with wife, with an additional twelve dollars per month for each child of schol age until schooling is finished and the children are prepared to assume their own responsibility.

A married man should be in the scheme for ten years to receive the minimum pension of 80 dollars, otherwise he should receive a monthly pension equal to forty per cent of his average monthly earnings during the period they have been in the scheme but in any event not to exceed the minimum pension of 80 dollars per month.

The maximum pension allowed under the scheme should be one hundred and sixty dollars per month, to be paid for on the same three-way split, where the same percentage of the employee's wage or salary will permit, and to be paid for by the employee alone, if he so desires, where the same percentage of his wage or salary does not permit.

For a married man with dependent children, the twelve dollar allowance for each child should be paid in excess of the maximum pension if the employee's pension automatically reached the maximum.

An employee should be able to take advantage of the voluntary retirement with the minimum pension or better, up to maximum, after being in the scheme for thirty-five years, but in any event should not be able to retire on his pension under age 55 excepting from dire necessity and at the discretion of the Control Board.

An employee's widow should receive 75 per cent of the minimum pension for a married man plus the childrens' allowances, for the remainder of her life or until she remarries.

Where the employee and his wife are both deceased, an allowance of twelve dollars per month should be paid to a guardian for each child until the children are beyond school age or become legally adopted.

In the case of a single employee who dies prior to retirement, his own contributions should be paid to his estate.

The amount of all pensions should be based on an index similar to the cost-of-living index, taken from the same period, whereby the minimum and maximum pensions of sixty dollars and eighty dollars and amounts up to one hundred and sixty dollars should equal one hundred per cent. By this means, as the cost of living rose, so would the pension rise in the same proportion, and if the cost of living fell, the pension would likewise fall in the same proportion.

Financial Status of Beneficiary—Private estates created by Beneficiary would not be affected by the pension or vice versa. This would allow the thrifty employeee to plan for the future with the knowledge that whatever he was able to save would be his in addition to whatever pension he received on retirement.

A scheme such as the one here outlined is the only one yet put forward that will in any way tend to alleviate the unemployment situation so likely to affect Post War Security. Under the existing conditions or the proposed Social Security conditions, there is absolutely no incentive or slightest encouragement for an employee to relinquish his job to another man.

With the scandalously small allowance granted a man on retirement due to old age, that man will continue to work just as long as he can carry on. In the meantime there is no work for the younger man who is just ready to start.

We have a system of relief either for the young man or the old man, the sum total of which is taken from the Municipal, Provincial or Dominion Taxes. We have the man who is employed helping to maintain the man who is unemployed, at the same time leaving himself open to the need of the same miserable charity when he himself becomes too old to maintain himself.

It is possible that a certain number of men could never be brought under this or a similar scheme, but an old age pension for that man would only cost the Government an equal amount to what is contributed by the Government to this scheme.

The principle of the scheme would dispense with the old age pension and reduce the necessity of the existing unemployment insurance (with respect to industry), thereby affording an opportunity for the amalgamation of the two schemes and funds.

With the Pension Scheme herewith outlined we accomplish two main objectives. We induce the older men to retire from industry making employment for the younger, and we give them the opportunity of being independent by living on a pension that they themselves have helped to create.

CANADIAN FEDERATION OF THE BLIND
2334 Albert Street, Regina, Sask.

May 5, 1950.

To the Parliamentary Fact Finding Committee,
Ottawa, Ontario.

Re: *Social Security for the Blind*

The Canadian Federation of the Blind has for many years recognized the insufficiency of Canadian legislation in the interest of the blind.

The pension allowance granted to blind persons is computed on the same basis as that of the Old Age Pensioners and administered through the same offices. The regulations governing the administering of the pension are practically the same in both cases except in the case of blind persons the age is lowered to twenty-one and the allowable income is slightly increased. For some time we have appealed to our Federal Government for a minimum pension allowance of $50 per month. With the cost of living constantly increasing this amount is inadequate. There are many cases where an addition to the regular allowance should be made to provide for needy cases where special care is required. This extra allowance should be decided by those in charge of administration. Guiding allowance should also be provided for sightless persons at a minimum rate of $1.00 per day with consideration given for added travelling expenses.

Federal assistance should be given to the provinces in establishing up to date education facilities for our sightless children in cases where schools for the blind are not easily accessible. In the case of the Prairie Provinces the nearest school for the blind is in Brantford, Ontario thousand of miles away from the homes of the children. The education of sightless children is compulsory and in our opinion Governments should be made responsible for providing facilities for the education of blind children where it is impossible for such children to attend a school so far away from home.

In our opinion Government aid should be provided directly to ambitious blind persons who wish to establish themselves in business or industry, provided always that the project is practical. At the present time the greater part of this service is left to an organization which it appears is not responsible to either the government or the people for the employment of the blind. Out of the seventeen thousand registered blind persons in Canada only about fifteen hundred are employed under the present system.

The National organization *of* the blind,, namely the Canadian Federation of the Blind, should be given Federal financial assistance since it has been demonstrated that more efficient service is rendered when the blind direct their affairs through our democratically elected representatives.

For example in industry improved conditions for the blind have been brought about by the efforts of the blind through their own organization. To demonstrate this we point out an instance of where a Blind Co-operative has been brought into existence by the united efforts of the blind. Under this scheme each person employed works on a commission or piece-work basis. This has proven to be one of the most satisfactory methods of carrying on industry by the blind. We are confident that it will solve a great many of the industrial problems for sightless people and should be recognized by all governments.

More attention should be given to housing accommodation for blind persons as it is necessary that more safety devices should be arranged for persons handicapped by loss of vision than for those who can see their way around.

To adequately administer blind welfare a special blind person's bill should be enacted which would include the above items as well as many other details which should be recommended by blind persons who have studied the various problems and are in a position to give personal advice on the subject.

The Regina Security Club, with whom the National Office of the Canadian Federation of the Blind is closely associated, is presenting a brief to your committee and we of the Federation heartily endorse the recommendations included in that brief. In fact it touches on so many items effecting the blind that we are of the opinion that their brief and ours should be studied together. We are confident that if and when the recommendations of both these briefs are used as a basis of extending social security, Canadian citizens, both aged and sightless, will enjoy contentment and happiness never before experienced.

Your careful study and favourable consideration of the matter referred to will be greatly appreciated by the

CANADIAN FEDERATION OF THE BLIND,

C. A. PETTAPIECE,

National President.

SUBMISSION BY THE CANADIAN NATIONAL INSTITUTE FOR THE BLIND AND THE CANADIAN COUNCIL OF THE BLIND

Blind Persons Act—Provisions by Dominion and Provincial Government of Canada

Pensions for the blind were first inaugurated in Canada in 1937 as an amendment to the Old Age Pensions Act of 1927. Subject to the understanding that early enactment of such provisions for the blind was dependent on inclusion of the desired provisions in the Old Age Pensions Act in order to establish the principle, supporters were induced to accept the arrangement despite misgivings. Repeated representations have been made to the Dominion Government and the public of Canada indicating essential adjustments and improvements in provisions for the blind, and pointedly drawing attention to the complications and limitations imposed by the Old Age Pensions Act on such. The principal amendments which have been secured during the past twelve years include increases from the original $20.00 per month to $25.00 per month, then to $30.00 per month, and in 1949, to a more restricted $40.00 per month. The minimum age for blind pensioners has been reduced from forty to twenty-one. The original ceiling on pension plus permissible income, for a single blind person, has been increased from $440.00 to the present level of $720.00.

Each time the question of more rational, appropriate and adequate provisions for the blind has been discussed, the complications involved are emphasized. We are increasingly concerned over the basic limitations imposed by the Old Age Pensions Act. All concerned experience a sense of frustration in respect to the complications of amendments to Dominion and Provincial statutes, together with the orders in council, amendments to regulations and procedures involved. We are more than ever convinced that the only satisfactory and rational method of making appropriate provisions for the blind must be through complete separation of such legislation from the Old Age Pensions Act and the enactment of a specific Blind Persons Act.

The Canadian Council of the Blind and the Canadian National Institute for the Blind are in agreement on the most appropriate provisions now desired. Conclusions are based on experience, investigation, discussions and representative conferences.

The principal points in our present program are set out as follows:

1. *The Blind Persons Act of Canada:*

The creation of a Blind Persons' Act separate from and independent of the Old Age Pensions Act.

Comment:

Since in most respects it is difficult to make appropriate provision for the needs of the blind and for the prevention of blindness within the framework of the Old Age Pension Act, and since the age groups, interests, and potentialities of the two groups as such differ so widely, the provision of a Blind Persons Act is definitely essential and urgent.

2. *Blindness Allowance:*

The use of the term "Blindness Allowance" and elimination of the term "Pension".

Comment:

Blindness is regarded as a handicap, especially in the employment field. All interested in the true welfare of the blind feel strongly that the blind should be encouraged to take training and follow occupations wherever, and to the fullest extent that age or physical conditions will permit. The term pension implies, in usage if not in actual meaning, that the recipient has by reason of age or practically complete incapacity been pensioned off, or so to speak, "placed on the shelf". We prefer to consider that the allowance in this case is on the same plane as a time or distance allowance granted to a physically handicapped contestant in a race in order that he may, in competition, have a fair chance to compete. We are also interested in the psychological effect on the morale of the recipient and on the interest, co-operative understanding and attitude of the sighted public. Therefore, we earnestly desire that the term "Pension" be eliminated and that the term "Blindness Allowance" should be used only.

3. *Means Test:*

The elmination of the means test in the award of the Blindness Allowance.

Comment:

We have carefully observed the effect of the means test in many welfare fields, but especially in relation to the blind and the administration of allowances intended to benefit them 80 per cent of all blindness occurs in adult life. The loss of sight in adult life has the effect of wrecking hopes and plans, as well as the sense of security. The efforts of the agency concerned with the rehabilitation of a blind person must contend with the sence of frustration and insecurity usually accompanied by a large measure of fear. When the present pension for the blind is mentioned along with the means test, a new fear is introduced. In this case the effect is to undermine the ambitions and efforts of all concerned with rehabilitation. Let the means test be eliminated, and thus save administration cost coupled with fear on the part of the recipient, and let income tax take care of surplus earnings as in the case of the sighted competitor.

4. *Blindness Allowance—Basic Rate:*

An adequate rate of blindness allowance in relation to the cost of living, preferably uniform for all provinces.

Comment:

It must be recognized that the needs of the adult blind, ranging in age from twenty-one to more than one hundred vary greatly. Over one-third

of the registered blind of Canada are seventy years of age and over. Their needs are chiefly maintenance, with little or no possibility of supplementation. In the age group twenty-one to sixty-nine, 45 per cent are women, and over two-thirds of them are married with sighted husbands in all but a few cases. Many of the men and women in this group suffer from disabilities in addition to blindness and hence their capacity to work or earn is limited or nil. Others have no disability other than blindness and are capable of working and earning more or less substantially. Many of these have family responsibilities which they are anxious to meet. While the basic pension rate was increased to $40.00 per month in 1949, we are agreed that a most unfortunate oversight occurred when the existing ceiling was not raised proportionately. For the semi-employable group who were able to earn up to the permissible limit the pension increase did not apply unless they cut their earnings. If ceilings must be applied in the meantime for all receipients, then it should be at least equivalent to the income tax statutory exemption levels, i.e., $1,000.00 for the single person, and $2,000.00 for the married person. Ceilings lower than these enforce a sub-normal standard of living.

5. *Residence in Canada—Present Requirements:*

The reduction of the present residence requirement from twenty years to five years in the case of a person with normal vision who has taken up residence in Canada in good faith and at any time thereafter has lost his sight.

Comment:

We have been agreed and have made representations for some years that in the case of any person who has been duly admitted to Canada as a bona fide resident and who through accident or illness suffers loss of vision that the present requirement of twenty years' residence to qualify for consideration is a serious hardship. We strongly urge that when the Blind Persons Act of Canada is prepared, it should allow such a blind person to qualify in not more than five years from the date of admission to Canada.

6. *Guiding Allowance:*

Guiding allowance for the totally blind and those who do not possess useful guiding vision, i.e., not more than 3/60 (Snellens Chart) in the better eye after correction.

Comment:

For those who are totally blind or at best do not possess more than 3/60 vision in the better eye after correction, it is obvious that there are times, places and circumstances requiring sighted assistance, whether in moving to and from work or in respect to most normal activities. To ensure safety and a more normal and active life it is considered desirable that a minimum provision should be made for guidance, transportation, etc.

7. *Eye Treatment—Conserve Vision or Prevent Blindness:*

Adequate provision for medical or surgical treatment for eye conditions to conserve or to restore vision and to prevent blindness.

Comment:

Dominion and Provincial Departmental authorities, this Institute, and especially the blind themselves, are keenly interested in the provision of effective treatment to conserve or restore vision where such is possible. Apparently this is not feasible under present legislation. We are therefore most anxious that the Blind Persons Act, with adequate provisions for the treatment of such cases, should be given effect at the earliest possible date.

The Canadian Council of the Blind and The Canadian National Institute for the Blind together with all others interested in the welfare of the blind in general, earnestly hope that definite opportunities for discussion with Dominion and Provincial authorities will be afforded in order that such points as the desirability of adequate and appropriate provisions for the welfare and encouragement of the registered blind of Canada may be provided. The co-operation of Dominion and Provincial Governments is earnestly sought to ensure comprehensive, justifiable, encouraging and uniform welfare provisions, for all who have experienced the handicap of blindness. The most appropriate and effective results can be achieved only through the fullest consideration based on actual needs and experiences available.

MONTREAL COUNCIL OF SOCIAL AGENCIES
265 Craig Street West, Montreal 1, Quebec
Telephone Plateau 9832

April 28, 1950.

Mr. Jean Lesage,
Chairman,
Parliamentary Old Age Security Committee,
Parliament Buildings,
Ottawa, Canada.

Dear Mr. Lesage:—

May we respectfully call your attention to the wide discrepancy in measures employed in the different provinces across Canada to give supplementary medical services to governmental pensioners including recipients of old age pensions.

In some provinces well defined and comprehensive health programs for governmental pensioners have been developed to meet medical and nursing needs, but in other provinces the lack of provision for medical care causes serious and genuine suffering on the part of the pensioners. This situation is only relieved by the voluntary participation of private agencies and philanthropic individuals.

We bring this matter before you in the hope that the recommendations which your committee is about to make for improvements in the pensions system consideration will be given to this important phase of the needs of old age pensioners.

Sincerely yours,
Baruch Silverman,
(Sgd.) Baruch Silverman, M.D.,
Chairman, Health Section.

BS:EK

Memorandum on Health Services Available to Recipients of Mothers' Allowances and Old Age Pensions in the Ten Provinces of Canada

Provincial programs and provisions for medical services to meet the needs of governmental pensioners differ widely across Canada. In Provinces with only slightly developed programs for indigents generally, it is difficult to ascertain the position of those receiving categorical aid. For example, in Mothers' Allowances Legislation in Canada published by the Department of National Health and Welfare, the chapter on Quebec indicates that "there is no special provision for needy mothers, as such, but community health services, where organized, are available to them. Health units provide educational and preventive services and hospitalization is provided under the Public Charities Act."

This statement is ambiguous and leaves room for misinterpretation as old age pensioners and mothers accepted under the Needy Mothers' Assistance Act in the Province of Quebec do not receive medical care in addition to pensions. Consequently, it is either given voluntarily by the physician or the expense is borne by one of the voluntary agencies.

Health Services Available to Recipients of Old Age Pensions and Mothers' Allowances[1]

BRITISH COLUMBIA

Under an agreement effective March, 1949, between the Province and the College of Physicians and Surgeons, complete medical, surgical and obstetrical care is provided without charge to recipients of Old Age Pensions and to recipients of assistance under the Mothers' Allowances Act, the Social Assistance Act, the Protection of Children Act, and to their dependents under 18 years of age. For each person in receipt of any of these forms of assistance the Province pays the College, in monthly instalments, an annual fee of $14.50. Of this, 20 per cent is charged back to the municipality of residence; the Province pays the remaining 80 per cent and the full amount for persons in unorganized territory. The services include full treatment for all conditions for which care is not otherwise provided by public authorities and cover, in addition, prescribed drugs and dental services.

Old age pensioners and Mothers' Allowances recipients (as well as other social assistance cases) and their dependents are entitled to the services provided under the British Columbia Hospital Insurance Act which became effective January 1, 1949. Benefits under this Act include public ward care, necessary operating and case room facilities, X-ray and laboratory services, both diagnostic and therapeutic, and such other services, dressings and drugs as are provided under the Regulations. The Province pays the premiums on behalf of recipients of all forms of social assistance to which it contributes financially.

ALBERTA

Under the Bureau of Public Welfare Act, hospital and treatment services are provided from Provincial treasury funds for old age pensioners, Mothers' Allowances recipients and their dependents. Medical and surgical care are provided through an agreement with the College of Physicians and Surgeons, and there is free choice of practitioner and patient. The Government pays to the College $12.50 per annum for each person eligible for services, all of which must be recommended by the physician and approved by the Director of Hospital and Medical Services. Full dental care and one-half the cost of new dental plates are provided under an agreement with the Alberta Dental Association; the total cost is assumed by the Province through payment of 25c. per month per capita plus $1\frac{1}{4}$ c. per month for administration. The administration of medical and dental services is carried on by the College of Physicians and Surgeons and the Alberta Dental Association respectively. Services of an eye specialist or an optometrist are available on approval of the Director of Medical Services. Free drugs and medicines are provided only while the patient is in hospital.

Public ward accommodation in an approved hospital in the locality of residence is also available for old age pensioners and Mothers' Allowances recipients. This includes drugs, dressings, X-rays, and orthopaedic appliances as approved by the Director of Hospital Services. Under the Maternity

[1] Free treatment for tuberculosis is provided by Statute in Nova Scotia, New Brunswick, Manitoba, Saskatchewan and Alberta. In the provinces of Ontario, Quebec, and British Columbia this treatment is, in effect, free. Prince Edward Island and Newfoundland provide free treatment for indigents.

Hospitalization Act, public ward accommodation is provided free for maternity cases for a period not exceeding twelve days. This includes use of the case room, routine drugs and dressings and care of the infant. A residence proviso requires that patients must have resided in Alberta for twelve months out of the previous two years.

Saskatchewan

Under the Health Services Act, 1946, the Province provides medical and dental care through the Medical Services Division of the Health Services Planning Commission for recipients of Old Age Pensions, mothers entitled to allowances under the Social Aid Act, and their dependents. Medical care provided under the plan includes preventive and curative medical and surgical care; nursing services when authorized in advance by a physician or surgeon; dental services including repairs, replacements and dentures when authorized by the Division; physiotherapy when carried out under the direction of a physician and authorized by the Division; drugs, medicines and appliances when authorized by the Division according to the terms of the Act, with a charge to the recipient of 20 per cent of the cost of all drugs except in certain cases where they are required frequently over extended periods of time; optical services including examination, glasses and repairs. The patient is allowed free choice of doctor and dentist. These services for old age pensioners and Mothers' Allowances recipients are under the control of a Central Medical Assessment Board which reviews cases and advises on general policy. Payments are made from a general fund established on the basis of $12.00 allocated for each beneficiary over a twelve month period at a rate set by the Medical Assessment Board and the Health Services Planning Commission. At the end of the year accounts may be pro-rated up to the maximum of the schedules of fees for contract practice of the Saskatchewan College of Physicians and Surgeons depending on the free balance in the fund.

Under the Saskatchewan Hospitalization Act, old age pensioners, Mothers' Allowances beneficiaries and their dependents, are eligible for all benefits under the Act and their premiums are paid by the Province. The Saskatchewan Hospital Services Plan under this Act provides for its beneficiaries public ward accommodation, operating and case room facilities, certain drugs, surgical dressings and X-rays, etc. Hospitalization must be recommended by the family doctor.

Manitoba

There is no provision for medical care or hospitalization for recipients of Mothers' Allowances and Old Age Pensions, as such, but they are entitled to the services supplied within the health regions by medical care and medical nursing districts and diagnostic centres. They may use hospital clinics and the services of municipal doctors and nurses where these are available. Beneficiaries may also apply for payment of dental, optical and pharmaceutical requirements. In unorganized territory the Provincial Government provides medical and hospital care for indigents. Hospitalization is provided for indigents under the Hospital Aid Act or the Private Hospitals Act and responsibility is municipal or provincial on the basis of residence.

Ontario

By agreement between the Minister of Welfare and the Ontario Medical Association, minimal medical and surgical services are provided for recipients of Mothers' Allowances and Old Age Pensions and their dependents. The agreement calls for emergency medication, approved drugs and certain minor surgery in the doctor's office or the patient's home. At the present time the Provincial Government pays 83c. per month for the services provided for each

social aid recipient and established indigent. Provision is made for a similar agreement with the Royal College of Dental Surgeons of Ontario but this had not yet been implemented. One free pre-natal examination is made available to all pregnant mothers in Ontario for which doctors receive $5.00 per case from the Province. The only hospitalization services available are those provided for indigents.

Quebec

There is no special provision for medical care for needy mothers, old age pensioners and their dependents, but community health services, where organized, are available to them. Hospitalization is provided to indigents under the Public Charities Act.

New Brunswick

The only service available to recipients of Mothers' Allowances and old age pensioners is the ward care in general hospitals provided by the municipality of residence for indigents.

Nova Scotia

The 1949 amendment to the Mothers' Allowance Act provided for the payment of supplementary allowances covering the cost of medical services to children in respect of whom allowances are being paid and to their fathers and mothers. As yet there is no special provision for old age pensioners. There is, however, provision for payment of hospitalization costs by the municipality of residence if the patient is unable to meet the account.

Prince Edward Island

Under the present legislation there is no provision for medical or surgical treatment or for hospitalization for social aid recipients. Provincial grants to hospitals are contingent on their providing care for indigents in accordance with the accommodation available.

Newfoundland

The only medical care and hospitalization services for recipients of Old Age Pensions are those provided by the Department of Public Health for indigents generally. According to most recent information received from the Deputy Minister, Department of Health, it is the policy of the Province of Newfoundland to pay retainers to practically all the doctors for medical care of those who are unable to pay themselves. In future these people will probably be expected to pay for casual medical care but the government will look after hospitalization or special procedures. On December 7, 1949, the Newfoundland Legislature passed a Mother's Allowances Act but there is no reference to medical services.

Submission by Geo. M. Leduc

Translation

St. Jean Port Joli, P.Q.
May 13, 1950.

Jean Lesage, M.P.,
Chairman,
Joint Committee on Old Age Pensions,
Ottawa.

Dear Sir,

In January 1948, I wrote to you concerning pensions for invalids. I must say that I have not changed my opinion since then and that, after five years as an Old Age Inspector, I still believe that it is the invalids of all categories who should have been the first to be dealt with.

I think that you will have a difficult task to please everybody with regard to the next Pension Act for old people, the blind and the invalid. May I make a suggestion which you may treat as you please. I believe that, based on the cost of living today, the federal contribution of $30 a month to each old person of 70, each blind person and each cripple or permanently invalid person would be a reasonable amount and that nobody should criticize it. The Act could specify that, should the cost of living come down as it is supposed to do, the Federal Government would reduce the pension by $2 for each 10 points of the index, to arrive at the figure of $20 should prices come down to the 100-point level of 1937-1939. One thing is certain, that is, you will have to think of the invalid even if you should decrease by $5 or even by $10 the pension to old people.

When two old persons live together, the pension could also be reduced somewhat. I believe it would be an error to raise the old age pensions above the present $40 rate as I believe that it would be an error to give it to all old persons without taking into account their means in money or real property.

What the Act should specify is the money value and the real value, or both, that the applicants may or may not have to be eligible for a pension. For instance, let us take the amount of $10,000. Two old persons who own a property of a market value of $5,000 and have money in the bank or other assets to the amount of $5,010 would not be eligible to a pension, for as long as their assets did not come down to $9,999.99 for the two, and $7,000 for a single person on the same basis.

The same would apply to donations. If the donor has given more than $10,000 without taking into account that the donee did not work, the basic price of $10,000 should be reduced by $1,000 per annum for two old persons, $600 for a single person without entitlement to pension until the decrease has reached the amount of $10,000 for two and $7,000 for one.

I believe that to take into account that a son has worked 5, 10 or 15 years without pay on a farm is quite a disputable thing. More often than not, such donees have the administration in hand, and especially in important donations, such donees did not have to suffer the lack of money for these 5, 10 or 15 years. They have often raised most of their family during that period of time at the expense of this money or real capital of the donor.

Now, to conclude, I come again to the question of invalids. This Act is not to be feared. It is possible of application. All that is necessary is to pass it accordingly.

Please excuse the length of the letter.

I remain,

(Sgd.) Geo. M. Leduc.

LOCAL ADVISORY COMMITTEE OF NATIONAL EMPLOYMENT SERVICE, ST. CATHARINES, ONT.

Resolution re *Old Age Pensions*

The following resolution was regularly moved and seconded, and unanimously approved at a meeting of the above committee on April 9, 1950.

Whereas: A Committee of both Houses of Parliament is to study the question of provision for elder citizens; and

Whereas: The St. Catharines Advisory Committee of the National Employment Service has been investigating this matter for a considerable period in connection with the problems of employment of older persons; and

Whereas: Our review indicates that, while industrial pension plans are desirable, without any national plan they have the following disadvantages:

(*a*) they can cover only a fraction of our elder Canadians,

(*b*) it would be almost impossible to establish means of permitting an employee to carry pension rights from firm to firm as he changes jobs,

(*c*) the cost of such schemes militates against the employment of men nearing pensionable age.

It is Resolved:

(1) That a National Old Age Pension plan be established.

(2) That such a plan should cover the entire population.

(3) That ,in view of the published figures on costs, contributions should be made by all citizens.

(4) That the early introduction of a sound plan, with moderate benefits which may be increased later, is preferable to further postponement or the risk of introducing a plan so generous that it may disrupt the economy.

(5) That all money collected by the Government for the plan, either by contribution, tax or otherwise should be earmarked and used for no other purpose.

(6) That a full publicity program, using all media, be drawn up to inform the public of the features of any plan adopted, and the reasons therefor.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 24

THURSDAY, MAY 25, 1950

WITNESS:

Mr. Maurice Lamontagne, Professor of Economics, Faculty of Social Sciences, Laval University, Quebec, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

ORDER OF REFERENCE

HOUSE OF COMMONS,
THURSDAY, 25th May, 1950.

Ordered—That the name of Mr. Noseworthy be substituted for that of Mr. MacInnis on the said Committee.

Attest.

LEON J. RAYMOND
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, May 25, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present: Honourable Senators Burke, Fallis, Farquhar, Ferland, Horner, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Ferrie, Fleming, Knowles, Laing, MacInnis, Robertson, Shaw, Welbourn.

Hon. Paul Martin Minister of National Health and Welfare, was also present.

In attendance: Mr. Maurice Lamontagne, Profressor of Economics, Faculty of Social Sciences, Laval University, Quebec; Mr. J. W. Willard, Director of Research, and Mr. J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare.

Mr. Fleming brought to the attention of the Committee recent newspaper articles purporting to express what was the present government policy in regard to the pension scheme to be adopted, or speculating as to what recommendations are to be made by the Committee.

Honourable Mr. Martin made a statement thereon and quoted his own statements to the press in relation to such reports.

Professor Lamontagne was called. He submitted a brief which was taken as read and ordered printed in this day's Minutes of Evidence.

Examination of the witness followed.

At 1:00 p.m., witness retired and the Committee adjourned until Friday, May 26th, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

63112—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, May 25, 1950

The Joint Special Committee of the Senate and the House of Commons, on Old Age Security, met this day at 11 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

Mr. FLEMING: Mr. Chairman, I have a matter relating to privilege of the committee that might well be discussed now, in view of the fact that the Minister of Health and Welfare is with us this morning. I am sure all the members of the committee are familiar with an article which appeared in the Ottawa *Citizen* on May 23, purporting to state that it was now the government's policy to inaugurate a pension scheme which will provide payment of $40 per month, without a means test, to all persons having attained the age of 70 and provisions for persons between the ages 65 to 69 "with a means test". There has since appeared quite a rash of articles in other newspapers speculating as to what are to be the recommendations of this committee. That is one thing, but it is quite another matter to make statements as to what is said to be now the government's policy. If there were any truth in the statement that this has become government policy, as suggested in that article, of course there would be little point in this committee continuing its laborious studies.

I am informed that the matter was mentioned to the minister, and the minister did give a statement, but the statement was not given wide publicity. He is present here this morning and I think this matter should be cleared up. I would therefore ask the minister to make a statement which will clarify the relations between government policy and the heavy work of this committee.

Hon. Mr. MARTIN: Mr. Chairman, I thank Mr. Fleming for raising this matter.

The other day I did see a story in one of the Ottawa papers. The story did not quote anybody but it did suggest that government policy in this matter had been formulated. I spoke to the chairman of this committee, as I thought it was desirable that the story should be denied forthwith. Consequently in your chairman's presence I called in representatives of the Canadian Press and British United Press, and gave them the following statement on the night of the 23rd of May. Because the evening newspapers did not publish yesterday as usual, the story was not given the circulation it might have otherwise received, although I see the matter was reported in the Wednesday, May 24 issue, of the Windsor *Daily Star*.

The *Star* story reads thus:

> Health and Welfare Minister Paul Martin said Tuesday night in a statement that the government's policy on changes in old age pensions legislation will not be decided until after the dominion-provincial conference called for this fall.
>
> *Denies Report*
>
> He issued the statement after reports circulated that the government had decided to pay within the next year or two pensions of $40 a month to all 70 and over regardless of means.
>
> The reports were "without foundation", said Mr. Martin.

> Obviously government policy in this matter must await the report of the joint parliamentary committee and subsequent discussions with the provincial governments.
>
> The parliamentary committee will not conclude public hearings until the middle of next week. Members then will start to draft a report.
>
> *Serious Study*
>
> The government will naturally want to give serious study to the committee's views, as well as to the representations made by various bodies before the committee, said Mr. Martin.
>
> This was in line with a statement he had made in the Commons March 10.

Mr. Knowles: Should it not also be pointed out that the story in this morning's *Globe and Mail,* while it does not refer to the government, is at this moment just speculation? It is the same story, but is attributed to the committee. We have not started to formulate recommendations, and we might come out with this or something better.

The Chairman: I was going to say that as far as I know the committee is far from being unanimous on any plan, and I am sure all the members of the committee have open minds.

Mr. Fleming: I think it would be correct to say that we have not yet discussed, as a committee, any recommendation for any report.

Mr. Brown: I think we all have an open mind on the subject.

The Chairman: As far as I am concerned, I have an open mind, and I am sure the members of the committee also have an open mind on the matter. When we sit in camera for the purpose of discussing our report there will surely be many opinions we will have to consider.

Mr. Knowles: Mr. Chairman, there is one other newspaper report to which I think attention should be drawn, because of an error in the heading. I do not have it with me, but it was in this morning's Montreal *Gazette* and it was a report of yesterday's session. The heading, if I remember correctly, says, "Sales tax urged to pay old age pensions." Mr. Sharp is not here, but if he were he would want to make a point on privilege. He did not suggest that at all. He suggested a number of ways in which additional revenue could be raised, but he certainly did not urge any of the plans that were proposed. I am sure if he had urged the sales tax he would have found some resistance.

The Chairman: He definitely did not do anything of the kind.

Well, Senator King, Senator Fallis and gentlemen, we have this morning as our witness the Director of the Social and Economic Science Division, Laval University.

Mr. Maurice Lamontagne, Professor of Social Economics, Faculty of Social Sciences, Laval University, called:

The Chairman: Mr. Lamontagne, do you wish to speak in English or French?

The Witness: I think I might as well speak in English, because those who will understand me in English would perhaps not understand me in French.

The Chairman: Well, Mr. Lamontagne, I understand that apart from your memorandum, which deals mostly with a definite part of what we can call the financing of any old age security system, you have some other remarks to make at the opening, but we shall incorporate your brief at this point in the evidence.

METHODS OF FINANCING OLD AGE PENSIONS

by

MAURICE LAMONTAGNE

The choice of a particular method of financing old age pensions constitutes one of the main aspects of the problem now under discussion. Some groups are proposing a contributory system to which the state, employers and employees would participate. Others are favouring a plan based on general taxation which mainly rests upon income tax. Finally, others suggest that a special social security tax contribute at least partially to the financing.

Several arguments are developed to support each of these proposals. However, very often in similar discussions, the most important considerations are neglected. It does not seem possible to choose an adequate method of financing old age pensions without considering the objective of social security and the incidence as well as the effect of different possible taxes.

Social security should guarantee the minimum income needed for subsistance. It should aim at redistributing national income not only through time but also between the different classes of our society. These characteristics seem to be generally accepted as essential to an adequate system of social security.

The main purpose of the present memorandum is to show that the tripartite scheme of contributions is incompatible with the general objectives of a satisfactory system of social security and with the fiscal policy we ought to adopt.

Some of its limitations are so evident, that they only need to be mentioned. First, the insurance principle, which underlies that scheme, assumes a permanent state of full employment. Second, it would be very difficult to extend it to some important sectors of our economy. Third, such a scheme would not ensure a desirable re-distribution of national income between the different classes of our society, since nearly the whole cost would be supported by the employers.

That last point deserves more elaborate developments. The employees' share is a kind of income tax which will be directly supported by them. The government contribution will be drawn from general taxation which falls on the workers to a large extent. Finally, the employers' share is a tax on payrolls.

In order to know exactly the characteristics of the tripartite scheme of contributions, we must analyse the incidence of that tax on payrolls.

One may ask first, can employers divert the tax to consumers by raising the price of their products? It depends on whether such products are consumers' goods or capital goods. Different factors determine the conditions of demand for each.

The demand for consumers' goods is conditioned by primary and immediate needs. It depends upon customs, social environment, education, and taste. To obtain the customary standard of living, which varies with different income groups, the individual will use whatever means he has at his disposal. He will even borrow or accept charity. On the other hand, once his minimum is attained, he will then think of his future security and may save a proportion of his surplus. So we may conclude that the "propensity to consume" is a stable function and that the demand for consumers' goods is somewhat inelastic. Rising or falling prices do not influence it very much. In this sphere of our economy the tax on payrolls may be paid by consumers.

The conditions determining the demand for capital goods are very different. This is not dependent upon primary needs but upon the possibilities of profit. Before buying a machine a producer will always ask himself if it will be a source of larger profits. If prices go up he may delay the replacement of equipment, postpone the adoption of a new device, or reduce or even stop production. One way or another he reacts very strongly to price movement. His behaviour in the final stages of a boom illustrates this very well. The end of a period of prosperity is often characterized by a phase of inflation and rising prices. It is the

sign of a near crisis. The producer of consumers' goods decreases his demand for capital goods; production in basic industries therefore slackens, and unemployment occurs. The first objective of the entrepreneur is to diminish his costs; this is the main reason why the demand for capital goods is very elastic, very responsive to the fluctuation of prices.

A program of public works will not alter this situation. It may temporarily provide basic industries with new outlets for their goods, but it will not change the psychology of the entrepreneur who is the main buyer of capital goods. Even if the policy of public investment were to succeed, the entrepreneur will always try to reduce his cost of production and will shy away from high-cost capital goods. The producer of capital goods will find it almost impossible to avoid the tax on payrolls by raising the price of his products.

Yet it is the field of capital goods which is becoming an ever larger part of our economy. As the productive system becomes more advanced through the application of new techniques and inventions, the process of production becomes more complex. More steps are required in the production of an article, and more equipment is thus needed. Capital goods industries play an increasingly greater role in our economy and absorb a higher proportion of the total supply of labour. The main effect of the tax on payrolls will therefore be found in the basic industries.

In the long run the consumers' goods industries will find it just as difficult as do capital goods industries to pass the tax on to the buyer of their products. When consumers' goods industries allow the tax on payrolls to be paid by consumers, while the capital goods industries are unable to add the tax to the price of their products, the margin of profit in the consumers' goods industries becomes greater than that in basic industries. Since a profitable business is attractive, there will be an increase in the number of producers in consumers' goods; the supply of these goods will go up, and the prices of these goods will accordingly go down. It is probable that at the end of these readjustments the fall in prices will completely offset the previous rise (induced by the addition of the tax to the price), and the original situation will be re-established. In this case even consumers' goods industries will be unable to pass the tax on to the consumer.

Canadian exporters will also find it difficult to include the tax in their prices. Unless all countries adopt a system of social security as comprehensive as the Canadian scheme and financed by the same method, the Canadian exporter whose prices are higher by reason of the tax than the prices of his competitors will lose his foreign markets. He is unlikely, therefore, to take this way of avoiding the tax.

If the employer cannot pass the tax on to the purchasers of his goods, it does not follow that he will bear the cost of it himself. In the long run the tax is likely to be borne by the employee. This is brought about in two ways.

Obviously the tax on payrolls will add up to a larger amount in those industries utilizing a large labour force in proportion to machinery used. The possibilities of profit in these industries will be reduced unless some way is found to avoid the tax. Capital will inevitably strive to go into those sectors of the economy where less labour is needed. Labour will become an obstacle to the investment of capital, and the tax will cause deep changes in the industrial structure. Capital may even leave the country, seeking profits in those parts of the world where the living standards of workers are lower, and where no such taxes on payrolls present restrictions to profits. It is probable that capital will not be induced to return to that sector of the economy which employs a large labour force until the remuneration of capital comes back to the level which existed before the imposition of the tax, when a new point of balance will be re-established.

The immediate result of the tax will therefore be a fall in industrial production, especially in those industries which employ a large proportion of labour.

The demand for labour will decrease. If unemployment is to be avoided, wages must go down. In short, the whole burden of the tax supposed to be paid by the employer will fall on the employee. It is useless to assert that such results are in flagrant contradiction to the program of public works intended to avoid unemployment.

The second way in which the tax is brought to bear on labour is by the substitution of labour-saving devices for manpower. This substitution is of two kinds: it may mean the adoption of methods of production already known but which up to that time were too expensive in comparison with the cost of labour; it may mean the introduction of new processes in which capital plays a larger part than labour. In either case the demand for labour falls, and the above mentioned conditions arise: labour must accept lower wages or unemployment will follow.

One cannot foresee the future in this matter. Inventions are unpredictable, and their ultimate effects impossible to define. But industry always has in reserve new processes (and the war had undoubtedly stimulated these) which can be used when new conditions, such as a marked increase in wages, warrant their adoption.

The conclusion seems inescapable. The tax on payrolls will fall back on the workers in the form of unemployment or a reduction in wages. At the same time, employees must also pay the direct tax on their wages which is ticketed as their share of the cost of social security; and they must contribute to the government's share which is drawn from general taxation. We therefore conclude that the workers will bear nearly the whole cost of social security.

It is interesting to note that all those who have studied the incidence of such taxes reach the same conclusions. The following quotations will serve to illustrate that point.

Professor Harry G. Brown states his conclusion as follows: "It will be obvious to the reader that premiums charged in the same way to provide health or old-age insurance will have effects similar to premiums charged to provide for insurance against accident, so far as their incidence is concerned. They, too, will be paid in the last analysis by wage-earners, regardless of their imposition in whole or in part initially upon employers."[1]

Russell Bauder holds similar views: "If wages are, in general, conditioned by the marginal value productivity of labour, the conclusion is inescapable that the payroll taxes will be borne by the wage earner."[2]

Joseph L. Cohen, analysing employers' contributions, concludes that the long-run effects of these taxes include a restriction of supply of capital and a lower level of employment which forces a decline of wages "to such a level that the new wage plus the employer's contribution equals the former wage".[3]

In their Program for Unemployment Insurance and Relief in the United States, Alvin Hansen, M.G. Murray, R. A. Stevenson and B. M. Stewart point out that "whether unemployment insurance is operated on a state, industry or national basis, the cost of the employer's contribution in most cases will be passed on to the wage earner in reduced wages".

Professor Sumner H. Slichter concludes: "If the payroll tax does not produce an increase in incomes and prices . . . unemployment, caused by the tax, will retard the increase in wage rates as technological progress raises the marginal worth of labour." Slichter finally adds that in so far as the price of labour

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1 The Economies of Taxation, New York, 1924, p. 175.

2 "The Probable Incidence of Social Security Taxes", American Economic Review, September, 1936.

3 "The Incidence of the Costs of Social Insurance", International Labour Review, December, 1929.

is an administered one, fixed by collective bargaining, "social security will tend both to raise the wages of the employed and to increase the number of the unemployed".[1]

Concluding the statistical story on the subject, H. P. Mulford states that "the burden of the tax, as shifted, will fall to a degree upon the consumer in the form of price increases, but probably to a greater extent upon labour through depression of wages or reduction of employment".[2]

Evenline M. Burns believes that "the adoption of the self-sustaining social insurance principle to finance old age annuities and unemployment compensation is to a large extent a decision that the lower income groups must pay for this kind of security. The incidence of the employer's contribution must be a matter of speculation. But it is probable that those who, like organized labour, believe that in financing through taxes on payrolls they are compelling employers to carry a large proportion of the cost will be disappointed. The greater part of the employer's contribution is likely to be shifted forward to consumers or backward to wage earners."[3]

In conclusion, then, it seems evident that the tripartite scheme of financial social security, apart from its unethical nature, is in conflict with our post-war objectives of full employment. It does not fit into the general scheme of our future fiscal policy. On purely economic grounds, it might serve as a good weapon against inflation, but in the long run unemployment represents a much greater danger than inflation; and since unemployment must be attributed in no small part to a fall in the demand for goods and services, we ought to adopt every possible measure to increase the purchasing power of those who have a high propensity to consume.

(*End of written statement*)

The WITNESS: Mr. Chairman, I was asked to appear before your committee only at the last minute, and since I am particularly busy at this time of the year, all I could do was present as a brief a part of a study I made some years ago. Since then my conclusions on the subject have not changed although I would have liked to improve the analysis which serves to justify them. Before coming to the discussion period I would like to add a few comments to my memorandum.

If you have read this, you will have noticed that I am not favouring payroll taxes as a means of financing old age security. To sum up my views on the subject I would say a payroll tax tends to reduce both consumption and employment which are precisely the two variables of the economic system we want to maximize. Consequently the tax would be a decided advantage to those employers who use less labour in proportion to their capital.

Mr. LAING: Mr. Chairman, are these additional reasons?

The CHAIRMAN: Yes.

Mr. LAING: These are additional to what is in the brief?

The CHAIRMAN: Yes, they are.

The WITNESS: The tax is a decided advantage to those employers who use less labour in proportion to their capital. That factor may be of great importance, especially when it comes to competing industries, for instance like coal, natural gas, oil, etc.

Thirdly, the tax has no relation to the capacity to pay.

Finally, it cannot cover either the employer or the self-employed.

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1 "The Impact of Social Security Legislation upon Mobility and Enterprise", Proceedings, American Economic Association, March, 1940.

2 "Incidence and Effects of the Payroll Tax" Preliminary Report, Social Security Board, October, 1936.

3 "The Financial Aspects of the Social Security Act", American Economic Review, March, 1936.

There is another problem I would like to discuss briefly. As you know, and as Mr. Sharp pointed out yesterday afternoon, there are two approaches to the financing of old age security: the pay-as-you-go approach, and the deferred equity or insurance approach. This last possibility has to my mind definite limitations. The collection of actuarial level premiums by the government will produce for quite a long period, about forty to fifty years, far more revenue than is necessary to meet current requirements, and the deflationary aspect of such a method is certainly evident. Furthermore, the reserve fund accumulated by the government creates problems of its own. If the government tries to invest that money in private economy then it competes with private savings. Such a move would also be undesirable for other reasons that you can easily appreciate. On the other hand, what the government is most likely to do is to invest the fund in government securities and so use it to meet its current expenditures.

The obligations of the government deposited in exchange do not represent actual assets but merely future commitments that will have to be met by future taxes. Under those circumstances the fund is merely a fiction. When the system of old age pensions starts to operate on a full scale, the government has to revert to the pay-as-you-go approach, anyway. We might as well be realistic about it and take that approach immediately. Then, what about the issue between financing old age pension security exclusively through general taxation, and, the assessment of a special social security tax—I would certainly favour a compromise between these two extremes and I think that a special tax on net income could contribute a major part of the cost, the rest coming from other sources.

The CHAIRMAN: Have you any questions, Mr. Knowles?

Mr. KNOWLES: I think a good deal of common sense has been given in that brief speech.

By Mr. Fleming:

Q. May I ask Professor Lamontagne if he is prepared to make any comment on our problem apart from the methods of financing? Is that part of his study? —A. I am prepared to try, but I do not say that I will give all of the answers. You may ask questions and I will answer if I feel able.

Q. I would just like to try and fix fair limits to questions that might be asked of Professor Lamontagne, and to know whether his studies have been limited to the fields of social security? or have they been such as to qualify him on some of these other questions such as means test, universality of pensions, the proper age, the relationship of ability to work, the provision for persons between 65 and 69, and kindred questions? or does Professor Lamontagne prefer to confine his observations, this morning, to whatever method is decided upon regarding the financing of the social security program?—A. My field is certainly economics and I would prefer to limit myself to finance because I have not made any study of the details of old age pension scheme. I have not made any computations about the possible costs of such a program (and the alternates).

Q. I am sure that we will all respect Professor Lamontagne's wishes in that regard.—A.. If I may answer in that light, then you may ask questions.

Q. I take it that we will confine ourselves to the matter of financing the scheme?

The CHAIRMAN: I think Mr. Lamontagne would be ready to give his opinion on other matters. If I understood him correctly he said that his particular studies and experience have been in the fields of economics, finance, and taxation?

The WITNESS: That is correct.

The CHAIRMAN: Of course, being the director of a division of a school of social science, he would certainly know something about social security, and he

would be ready to answer questions if he feels that he is in a position to do so. You may start by asking any questions you wish, Mr. Fleming.

Mr. FLEMING: I respect Mr. Lamontagne's wishes, but I got the impression that he did not feel that he would like to comment on some of these things in detail—the means test, the proper age protections and so on.

The WITNESS: I can promise you in advance that I will be very humble.

The CHAIRMAN: We can ask him what he thinks of the means test, and see what he says. What do you think of the means test and of the question of age? What is your personal opinion?

The WITNESS: I think if there is a right and a claim to old age pensions, from an ethical point of view, then the question of recognition of that right becomes a question of capacity to pay. I think if we have the capacity to pay, and if we recognize in fact the right of the citizen to be protected against old age and security, then we should abolish the means test.

Mr. KNOWLES: Hear, hear.

The WITNESS: We should go as far as possible, provided it is a right; provided it is founded on ethical principles and provided that we have the capacity. Those are the two matters of consideration we have to take into account.

By Mr. Fleming:

Q. Would you be prepared to rate, in order of urgency, the priority of the three attacks or weaknesses that have been claimed in the present system; first, there is the means test; second, there is the fact that the age begins at 70 and not 65 as some say it should and third, their alleged inadequacy?—A. Well, I think in that matter, we should go rather slowly. It is better to go slowly than to go fast and then have to come back.

I think the best way to proceed now is to get an improvement over the present situation, and once we realize that there is an improvement not incompatible with the normal working of our economy, then we should try to improve it still further. I do not think we should regard our social security program as we do the constitution in Canada, and say that it is a fixed system. We should be willing, at the start, to review it as we advance in the fields of economics and social progress. I think, for the moment, that I would favour a pension, without a means test, for those of 70 years of age and over; and a pension, with a means test, for those between the ages of 65 and 70. I think this would be an improvement on the present situation and we would see what results are produced by that improvement. Then, perhaps in a few years, we should try to improve it further if circumstances permit.

Q. What do you say about the amount of the pension?—A. Well, the amount of the pension I think has to vary, in a way, and I think that is one of the weaknesses of our system. We have to take into consideration that we are living in an unstable economy. A pension of $40 or $50 might be quite reasonable now; but, during a depression it might be over the subsistence level. I think there is no straight answer to such a question because I think that $40 is certainly a minimum now. If we assign, to our social security system, the objective of providing a subsistence level for those whom we are willing to protect, then I think we should have a pension of $40 now. But I think, for the future, we should arrange a kind of flexibility in our system in order to be able to adapt ourselves to fluctuations in our economy.

Mr. KNOWLES: With revisions from time to time?

The WITNESS: Yes.

Mr. FLEMING: But, at the start, I understood you to say that $40 was the minimum now.

The WITNESS: Yes, I think so. From that point of view, I think if a man has only $40 a month to live on he will not go very far.

Mr. FERRIE: Would you treat a couple in the same way? If you had two people on the old age pension would you treat them both the same?

The WITNESS: Yes, I think so; because it will be a minimum anyway.

By Mr. Fleming:

Q. I would like to ask you a question, Professor Lamontagne, with a view of applying, more specifically to the problem before us, the general statement that you made at the opening of the meeting today in regard to the fairest method of financing. You indicated that we might have to approach this question gradually. Would you care to tell us just how? Suppose you were recommending the precise method of financing increased expenditure on old age pensions, how would you propose to raise the first $100 million, the second $100 million, and the third $100 million?—A. I think that I would not make a distinction at those different stages in that way.

Q. Excuse me, I do not want to mislead you. I was not suggesting that you would do that; I just wondered if, in taking the different amounts like that, it might illustrate the way you would pay the different taxes; where you would start with the contributions in one form or another; and where, if you were increasing the expenditure, you would raise some more? You can forget the amounts because I am just trying to illustrate a method?—A. I think I would start by imposing a social security tax. I would start first by assessing the total cost of the measure during the coming year. I would assess a social security tax on net income and, at the same time, because I think the economic situation allows it now, for political reasons, I would lower the income tax.

Q. The rate or the exemption?—A. The rate; because I do not think that inflation is a danger now. I think deflation is the danger for the coming years.

By Mr. Brown:

Q. Where would you raise funds to operate the country?—A. By the social security tax. That would be a kind of transfer from the general taxation, to a special tax earmarked—

Q. Do you mean for social security purposes? Or for general revenue? —A. For old age pensions.

Q. You said a moment ago that you were in favour of lowering the income tax rate?—A. At the same time—in order to maintain the present rate during the coming year. I mean the present rate of income tax.

Q. Do you mean you would lower the income rate as it now exists?—A. Yes, for general taxation purposes.

Q. For general taxation purposes; then, that would assume that the taxes levied upon us now are excessive and not needed for the general revenue of the country?—A. Yes.

Q. You say you would therefore lower them? Assuming that we continue to receive the revenue we now get for expenditures that are necessary, do you say that we should lessen those expenditures?—A. Not lessen our expenditures; but I do not believe in the balanced budget, and I think we will experience deficits in the near future.

Mr. FLEMING: I think there is some cross purpose discussion here.

The CHAIRMAN: I can see that. If you will bear in mind that there is already $100 million a year spent on old age pension, then it will help you to see what Mr. Lamontagne has in mind.

Mr. FLEMING: It is more than $100 million; this year's budget shows $135 million.

The CHAIRMAN: The $35 million is the provinces' share.

By Mr. Brown:

Q. Assuming we remove the $100 million from the present expenditure of the government, do you say that income tax for other purposes should be reduced?—A. It might be reduced; of course some other consideration should be taken into account at that time. If inflationary pressures are very high then income tax should not be lowered but as we can see now, I think inflation is no longer a danger—at least general inflation. There can still be some bottlenecks in particular sectors of the country.

Q. What you say is, that it should be done by deficit financing?—A. This expenditure of the government is completely automatic.

By Mr. Fleming:

Q. Perhaps we are getting away from my question. Is not your position this: you are saying in effect that social security costs should not be in the taxes; they should be segregated from the money raised by taxation?—A. I would say a major part of the cost should be financed out of a special tax.

Q. When you spoke of reducing the rates of income tax you had in mind the fact that today we are spending, in our budget, about $100 million on old age pensions; and you say you would take that out of the budget, put it in the social security levy, and reduce the income tax by the amount that results in the $100 million of taxation?—A. Not necessarily; but that is another question.

Q. Subject to what you said about balancing the budget?—A. No, I do not favour a balanced budget.

By Mr. Knowles:

Q. Do you not say simply this, Professor Lamontagne? You think there should be a social security tax imposed for raising a major part of the cost of old age pensions?—A. Yes, on net income.

Q. And you said you thought this was a good time to do that, because you could make up politically for the extra burden of the social security tax by making a corresponding reduction in income tax?—A. Exactly.

Q. From that, Mr. Brown took you into general financing, which is a legitimate proposition, but had we not better finish this?

By Mr. Fleming:

Q. Could we go back to what you were saying about the way you would finance the social security cost?—A. First, a social security tax for the major part, and then the general taxation.

Q. You spoke about the way you would start collecting that direct tax, and the exemptions that you would allow there?—A. Well, I think the exemption should be lower than those recognized presently by income tax legislation, but I think we should allow for some income exemptions.

Mr. Knowles: You said "on net income?" Do you mean above a certain exemption?

The Witness: No, I meant disposable income.

Mr. Fleming: I think the exemption now is $1,000 for a single person, $2,000 for married persons, and $150 for each child of family allowance's age. How low would you write those exemptions for the purpose of social security contributions?

The Witness: I think I would revert to the situation during the war when the exemptions were $750 for unmarried persons, and I think, $1,200 or $1,500 for married persons.

Hon. Mr. Farquhar: What is the idea of reducing one tax and putting it on in another place? Do you give the reason that it would be a more just levy?

The WITNESS: No, I do not think so, but I advocate that step for educational purposes, and I think for human purposes—

Mr. ROBERTSON: Psychological purposes?

The WITNESS: Yes, psychological purposes. First of all, those who would receive pensions would have the conviction that they were paying for it.

Hon. Mr. FARQUHAR: It is not to the advantage of the taxpayer?

The WITNESS: No, no, but it gives a very different psychological reaction. People would certainly learn that what they get from the government they have to pay for in a way, and in a large way.

Mr. KNOWLES: Would you graduate that social security tax?

The WITNESS: Well, that is a question of value judgment, and very subjective judgment. It depends on the degree; or the extent you want to redistribute our national income. If we feel now that there is an unfair distribution of our national income, and that the rich are too rich, then I think it would be a good thing to have a graduated tax.

Mr. BROWN: What do you think?

Mr. KNOWLES: He is enunciating principles.

The CHAIRMAN: Would you care to answer that?

Mr. BROWN: Do you think the rich are too rich?

The WITNESS: That is a kind of political question.

Mr. BROWN: I do not think it is very political; I think it is very practical.

The WITNESS: I think I would favour a graduated tax; for one reason—

Mr. KNOWLES: Hear, hear.

The WITNESS: My reason is that the self-employed, and some employers, have many means of underestimating their current incomes. In other words they can, in part, escape from our tax legislation. I think that the lawyers and all professionals know very well what I mean.

Mr. KNOWLES: Most lawyers are professionals too.

The CHAIRMAN: That is a rock in my garden.

By Hon. Mr. Farquhar:

Q. Do you believe it should be graded in the same way or on the same basis as our income tax?—A. I think that is more detailed than the first question. If we decide to have a graduated tax, I think we might as well leave it very much like our income tax, because it would certainly decrease our administrative difficulties.

By Mr. Ferrie:

Q. How would you ear-mark it if you put it in the income tax.—A. I think it could be done by making a special assessment, or a special formula. I think you can ear-mark it quite easily.

By Mr. Knowles:

Q. Another simplified form?—A. Yes, a simplified form.

By Mr. Shaw:

Q. In referring to these exemptions of $750 and $1,200, does the witness envisage that we take into account dependents at those levels?—A. Yes.

Q. And have you considered the number of Canadians who would not be affected, so far as this special income tax is concerned, by those exemptions?—A. No. I hope there would not be too many Canadians exempted because I think it would be too bad if we should have a great number of Canadians earning less than $750.

The CHAIRMAN: I believe, Mr. Shaw, you will find an answer to your question if you look at the tables which we obtained yesterday.

Mr. SHAW: I asked the witness because he recommends securing the bulk of revenue from that source for social security and I wondered if he knew the extent to which we have coverage?

The CHAIRMAN: There is quite a difference between the bulk and the major part.

Mr. KNOWLES: It could be 51 per cent.

By Mr. Robertson:

Q. What has the witness in mind?—A. I think it is a qualitative evaluation because I think the purpose of such a tax would be for psychological reasons.

By Mr. Laing:

Q. Mr. Chairman, I am interested in what Professor Lamontagne has said in his particular reference to this tax as a social security tax. I can envision, under his proposal that a social security tax is personally imposed upon production. When we use the term "social security" does the witness agree that this particular field is only one of several fields that are going to be entered? Consider a young man of 35. He may not be thinking about old age pensions; but should he go to hospital for a year, then hospitalization becomes very important and of more grievous concern to him than do old age pensions. We have to think of hospitalization and medical care. Professor Lamontagne envisions a tax for old age pensions. The provinces are already entering that field. Does he think the tax which in his view would be imposed upon production, might be too great?—A. Well, first of all I think that such a tax might have the result of lessening the intensity of demand for further extension of our social security services. Secondly, I think it is always possible to assess the possible consequences of taxation on production. I think that if we have the right structure of taxation, and if we rely on income tax—I mean income tax on individuals and corporations—I think that the effect on production will not be too unfavourable. I believe we emphasize or give too much importance to the possible effect of income tax in particular on production.

By the Chairman:

Q. On incentive, you mean?—A. On incentive or on production, if you like. I do not think that the rate of taxation is a determining factor in business decisions, unless we have, of course, a tremendously high rate of taxation. I believe the major factor influencing investment decisions actually is the opportunity to make a profit.

By Mr. Laing:

Q. From what you have said, Professor Lamontagne, it would seem important at this time that we attempt to evaluate the relative importance of the various areas of social security in such financial proposals as you envision. —A. I think that is precisely what we are doing in developing our social security system. That is my opinion. We are developing our social security system gradually by taking into account that evaluation, and I think from that point of view, in a well integrated social security system, family allowances would be managed first to be followed by old age pensions. And I think that social insurance would be the next step.

The CHAIRMAN: I wonder if you grasped exactly what Mr. Laing asked? May I discuss it with the witness in French and then he may answer?

Mr. LAING: Yes.

The WITNESS: I do not think it is necessary to evaluate all the possible financial burdens and requirements of other measures.

By the Chairman:

Q. That may come . . . .—A. Because to my mind what we are striving to obtain for the old aged now, anyway, is a minimum.

By Mr. Laing:

Q. If you call this a social security tax, the reaction of the person who is paying that tax would be: You do not provide social security. You do not provide hospitalization.—A. Oh well, you have only to change the name. It is just a question of a trade mark.

Q. Either that, or you have to extend the services.—A. I think we shall do both.

Q. I think so, too.—A. I hope so.

By Mr. Brown:

Q. Are you changing the name or otherwise?

The CHAIRMAN: He says that old age pensions would be the first step, and then we shall go on with health insurance.

Mr. FLEMING: I do not think he said quite that.

The CHAIRMAN: Maybe he did not go as far as that, but I thought that was the meaning.

By Mr. Fleming:

Q. I thought the witness said that old age pensions and health insurance should be the first step.—A. No. I thought I said that health insurance should be the next step.

Q. You put old age pensions ahead of health insurance?—A. Yes.

Q. What would you do about providing for needy invalids?—A. I certainly think it is an important field and it would be a very important matter to take up.

Q. Where would you rate it in terms of urgency or priority as compared with old age pensions?—A. I am not ready to answer that question because I have no immediate knowledge of the relative importance of the needy at the moment.

By the Chairman:

Q. That is very difficult.—A. And I think there might be some constitutional difficulties involved there. Anyway I believe that some provincial governments are ready to go on with it.

Q. They are doing something.

Mr. FLEMING: But not very much.

The CHAIRMAN: Mothers' allowances. That is what you have in mind?

Mr. FLEMING: You say "mothers' allowances"?

The CHAIRMAN: Yes.

Mr. FLEMING: I was asking about allowances for needy invalids.

The CHAIRMAN: The witness said that provincial governments are already doing something for them in providing allowances for the wives of invalids who have children 16 years of age and under. That is what we have in Quebec. I do not know if they have it elsewhere.

Mr. FLEMING: But there is no direct provision apart from actual income for the relief of needy invalids?

The CHAIRMAN: No. There is nothing in Canada now, I believe.

Mr. FLEMING: Except perhaps in Newfoundland.

By the Hon. Mr. Horner:

Q. You recommend a lowering of the income tax for single and married people. Do you realize the cost of living now is much higher than it was in a former period. I am afraid it would be very difficult, for example, for a young man to save anything for himself with the present cost of living if you attempted to lower that rate.—A. In spite of the higher cost of living, I think that the standard of living would be higher than it was during the war when we had such exemptions because there were scarcities of all sorts at that time.

By the Chairman:

Q. You are saying that we have a higher standard of living now than we had during the war?—A. No, no. I said I thought that those who would be exempted under $750 would have a better standard of living than during the war, when there was a time of scarcity.

By Mr. Robertson:

Q. This lowering of exemption would apply only to the social security tax and not to the general income?—A. That is right.

Q. Therefore the amount on a small income would be very small?—A. Very small.

By Hon. Mr. Farquhar:

Q. Have you considered the advisability of re-imposing the excess profits tax for this purpose?—A. In that regard I would favour rather a graduated tax for corporations rather than an excess profits tax.

Q. Do you not think that the excess profits tax would place the burden on those who were more able to pay than any graduated tax would?

The CHAIRMAN: Did you get the answer of the witness? When he spoke of a graduated tax, he was talking about a graduated tax on corporations, not upon individuals.

The Hon. Mr. FARQUHAR: A short time ago I thought he mentioned that it would work out about the same as the income tax today.

By the Chairman:

Q. But now he is talking about corporations.—A. I think that an excess profits tax is not a good one in normal times because it is a tax which is unfavourable to production and to incentives.

By Hon. Mr. Farquhar:

Q. Possibly, if carried too far.—A. So I think it is much better, in that field, to organize a graduated income tax for corporations.

Q. That is your opinion.—A. Because you then obtain quite the same result; and furthermore by not treating all the corporations on the same level, you render it more difficult for them to pass on to the consumer or to some other aspects of production (even a tax on profits) because they are not at the same level.

By Mr. Knowles:

Q. That would be one of the places where you would get them at the same level as you would with your social security graduated tax?—A. Exactly.

By Mr. Ferrie:

Q. Do you mean, Mr. Chairman, that the tax which is levied on everybody to produce old age pensions for all should be added to the private pensions?—

A. Social security to my mind is aimed at providing a subsistence for everybody; and then I think we should leave it to individual initiative to provide whatever the individual may want.

By Mr. Brown:

Q. Do you think it should be a full or a partial subsistence?—A. You say "full or partial"?

Q. Yes. We have had witnesses before us who said that it should not be a full subsistence. What do you think?—A. It depends on your definition of "subsistence".

The CHAIRMAN: A witness gave us the average expenditure of individuals throughout Canada for last year or the year before.

Mr. FLEMING: To encourage them to work?

The WITNESS: Yes.

By Mr. Brown:

Q. Was it the life insurance people who said it should be below the subsistence level?—A. It depends on how you define subsistence. What I mean by subsistence is the minimum and I would make a difference between subsistence and desirable living conditions.

Q. In any event you think it should be subsistence level; in other words, the individual should get enough to keep him healthy and comfortable; is that right?—A. Yes.

Q. Without the means test?—A. Comfortable would be perhaps too high for the subsistence level.

Q. What is generally considered to be comfort.

Hon. Mr. HORNER: Decency, anyway.

The WITNESS: I would prefer decency.

Mr. SHAW: It was the life insurance officers who suggested they pay pensions below the subsistence level to encourage the individual.

The WITNESS: I think if we gave $40 a month to a man you would certainly not be discouraging initiative.

Hon. Mr. HORNER: You are taking into consideration that most of the provinces would add to the pension?

Mr. KNOWLES: Not most; only three.

The WITNESS: I certainly think some provinces would like to contribute more.

Mr. COTE: The witness has stated he would desire to see more flexibility in the pension scheme. Now, having in mind that, since the inception of this Act in 1927, there have been several adjustments in the amount being paid, it being increased to nearly double what it was in 1927 would Professor Lamontagne have something particular in mind which would make that flexibility operative?

The WITNESS: I think we have to take into account financial considerations, but I think we might work out some formula to keep a certain proportion between these pensions and fluctuations in the cost of living. It would not be a direct relation, but it might be a proportion; for instance, for a one per cent increase in the cost of living there could be one-half per cent increase in the pensions, or something like that.

Hon. Mr. HORNER: Would you not have difficulty once you started to reduce it?

The WITNESS: Yes, of course there would be some difficulty.

The CHAIRMAN: Do you not think that instead of trying to find a formula we might better leave that to parliament?

Mr. COTE: As a matter of fact these adjustments which have been made represent an adjustment period of some four to five years.

The WITNESS: Yes.

By Mr. Cote:

Q. Would you think that a special tax for old age pension purposes would help to make for more flexibility?—A. Well, it depends on the system. If you want to balance off expenditures with revenues then you cannot bring in more flexibility. It seems to me in that particular field it is not very desirable to strike a balance between revenues and expenditures.

Mr. BROWN: Why not?

The CHAIRMAN: Mr. Brown, the witness has said time and again this morning that he advocates deficit financing at this time, so if we go into this now we will be here for a couple of days.

The WITNESS: I said I was not favourable to a balanced budget, but that infers we could have a surplus sometimes.

Mr. BROWN: You also said you favoured deficit financing, but you did not favour it all the time.

The WITNESS: When it is required.

The CHAIRMAN: He said he favoured it when there was no danger of inflation.

The WITNESS: To my mind the one aim of our fiscal policy is to try to stabilize our economy.

Mr. BROWN: I understood you to say you favoured an unbalanced budget and deficit financing at all times.

The WITNESS: No.

By Mr. Ferrie:

Q. There is a certain part of the public that contributes to private pensions, and those private pensions in some cases are very high. Let me give you an example of a banker retired at 60 on a private pension. Would he get an old age security pension given to him?—A. I think they should be covered, too. If they do not come under the scheme of old age pensions then it would be hard to ask them to contribute, and I think it is very desirable to ask them to contribute.

Q. Under the social security tax that you have mentioned you said that all people are entitled to that pension as a matter of right?—A. Yes.

Q. Then you turn around and say to these people that they have a right to be paid their private pension and old age pension too, yet another part of the population is only entitled to one class of pension?—A. If I understand you, you mean we might not bring those under the scheme; is that what you mean?

Q. No, no. What I am trying to get at—Let us be frank about it; here is a farmer and he contributes to all pensions, private pensions directly and indirectly? —A. How does he contribute directly?

Q. He is assessed. Supposing he goes into the bank, he has to pay so much to support that banker's pension.—A. That is indirect.

Mr. LAING: It hurts, anyway.

By Mr. Ferrie:

Q. It is a direct tax as far as he is concerned. For instance, a farmer makes a contribution to the civil service pension through taxation. Are you going to add the social security pension to that pension?—A. You see, if we follow the line of your argument we should also examine it from the point of view of our

scheme of family allowances. If you are a farmer you are taxed for expenditures for children of a lawyer. You can say that for everybody.

Mr. LAING: The example is hardly comparable because a lawyer pays for a farmer's children too.

The WITNESS: Exactly. We cannot assess the financing of individuals like that. Even if a lawyer has not an old age pension he would charge as much as he could for his services.

Hon. Mr. HORNER: Mr. Chairman, Mr. Ferrie refers to the industrialists who have a pension scheme. That pension is certainly added on to the cost of production. In the case of the banker the tax is indirect to support that pension. You are recommending far beyond what is needed for a $40 a month pension. I think it is premature for Canada at the present time to talk of a pension at all without a means test.

The WITNESS: If you refuse a pension because he is paying already for a pension on his own, that would be unfair.

Mr. KNOWLES: Is it not one of the purposes of removing the means test, to encourage people to provide an additional pension, or to purchase a home or assets of one kind and another, knowing they will not be victimized by their additional assets? We do not want people to lose the pension because they have those other assets. Why should they lose the pension because they have other assets?

Mr. FERRIE: You do not want a means test; none of us want a means test.

Mr. KNOWLES: That is good.

Mr. FERRIE: It is the primary producer who is going to pay.

Mr. KNOWLES: I am with Mr. Ferrie one hundred per cent. I am thinking of primary producers. I know people who, due to good prices in war time, obtained ownership of a farm or were able to sell their farm and put money in the bank. Now, they have paid indirectly for all these pensions but because they own that farm or have money in the bank they are denied the old age pension.

Mr. FLEMING: This is an interesting argument, but I submit that while we have Professor Lamontagne here we should use the time to ask him questions.

The CHAIRMAN: I will ask Professor Lamontagne if he cares to comment on what has been said?

The WITNESS: I do not think I have anything further to add.

Mr. FERRIE: I asked a question and I did not get an answer. What I am trying to get at is this: here is a group that is going to receive a stated pension and here is another group that has contributed to a pension to help both themselves and this other group and they are only allowed this certain amount of money. Now, why should they be allowed to add to their private pensions?

The WITNESS: I do not think you can avoid that.

Hon. Mr. HORNER: Might I remark to Mr. Knowles that I am afraid too much of this security is the very thing that will prevent people from making any endeavour to own their own farm or their own home, which will enable them to take care of themselves in later years.

Mr. SHAW: I trust the next time I try to make a statement the chairman will not reprimand me as he did yesterday. It is hard for me to contain myself while you are permitting all these statements.

The CHAIRMAN: I am not permitting them, they have been made and the only thing I can say is I regret they have been made.

Mr. BROWN: You have some solace, Mr. Shaw, because I have been reprimanded too.

By Mr. Fleming:

Q. Professor Lamontagne, earlier in reply to a question, you indicated you would finance the major portion of the cost of pensions by direct tax. Now, as to this direct tax, you have indicated that it would be, in all respects, similar to the present income tax, but with a lower exemption. Now, as to the remainder of the cost, that part which you are not going to finance out of your income tax with lower exemption, how are you going to finance that specifically?—A. I said it would be financed out of general revenues; it may be general taxation, it might even be by borrowing in time of depression.

Q. You talk about general taxation; can you be more specific?—A. As I said, I think we should not try to balance revenues against expenditures of the system. We should allow a certain residue to be financed by general taxation or other methods.

Q. Are you not prepared to be more specific about that balance than just saying it is general taxation?—A. No.

Q. Would you care to comment specifically on suggestions made here about taxes on consumption as a means of raising a portion of the cost?—A. Do you mean sales tax?

Q. We have had suggestions about sales tax.

The WITNESS: I am quite against going any further with sales tax for quite good reasons. I think this is a tax which is most regressive because those in the lower income brackets are spending nearly all their revenue, and those who are in the higher income brackets are spending a much lower proportion of their current income. I have seen some estimates of that, and of course they were only approximations, but for every additional dollar in the lower income group, they were spending, on an average, ninety-three cents, and in the other group they were spending about thirty-six cents. You see, as income rises the spending habits of individuals are very different. If you have a tax on spending it is very regressive because of the fact that the low wage income group spends almost all of its income.

Mr. FLEMING: Then you would not have an increase in sales tax. Now, speaking of general taxation, the forms which are open to you are customs import, excise tax and succession duties. Are you going to raise some of those?

The CHAIRMAN: Should you not mention corporate income tax?

The WITNESS: I said I was in favour of a graduating income tax for corporations. You could certainly in that way have additional revenues because there are some monopoly profits in our economy.

By Mr. Fleming:

Q. I want to understand your point of view. You have said that you would provide a major part of the fund to meet the pension out of your income tax and corporation tax and the balance out of general taxes.—A. The social security tax is a tax on personal income.

Q. You said the balance of the cost of the pension would be financed out of general taxes, and I was trying to get you to be a little more specific about that. You said you would not do it by an increase in sales tax?—A. No.

Q. Would you do it by increasing any other specific tax, customs, excise or succession duties taxes?—A. You are still trying to work with the concept of a balance and I do not work necessarily with that.

Q. I do not necessarily work with the idea of an exact balance every year, but there has to be an over-all balance.—A. Well, of course, I think you could certainly get additional revenue by reorganizing corporate income tax which is certainly a new source, and a source we would have to use especially in times of intense prosperity.

By Mr. Brown:

Q. I understood you to say before that you thought it would remove incentive if you put too high a tax on corporations.—A. The excess profits tax is certainly unfavourable to incentive.

Q. Let me summarize what you have in mind. You believe corporate taxes should be increased?—A. They should be increased in certain cases.

Q. It is either yes or no. I am talking about corporations generally. In order to raise more revenue you would have to increase the taxation on corporations?—A. You would have to get more revenue from that tax.

Q. The way you get more revenue is by increasing the taxation.

By the Chairman:

Q. Would you rather favour a surtax on corporate income rather than an increase in the rate?—A. Well, you see I think a surtax is a tax on surplus.

Q. I am sorry, I mean a surtax.—A. On profit?

Q. On corporate income. Would you favour a surtax which would keep the present scale of rates as it is between large and small profits?—A. I would certainly favour a graduated tax for corporations.

Q. Yes, but would you change the rates?—A. We have fixed rates now, so we would have to change the rates.

Q. I do not believe you understand what I mean. Suppose, for instance, a company in a certain year paid $50,000 in corporation taxes. If we said there would be a special surtax of 10 per cent, that would mean that company would have to pay $55,000 that year, but that would not change the present scale of rates. Would you favour such a system, that is to say, a surtax, or would you rather favour an increase in the rates themselves? In other words, are you satsified with the present scale of rates for corporate income tax?—A. I am not satisfied as it is now. I think, as I pointed out a moment ago, there are some monopoly profits not touched enough by corporate income tax.

Mr. KNOWLES: And a surtax would not introduce an element of graduation.

By Mr. Laing:

Q. If you introduce the word "monopoly", you are not going to correct it by any tax, surtax or graduated tax or anything else.—A. I do not propose to rearrange the tax system in order to solve the monopoly problem.

Q. We have been through this before and we have been told that increased excess profits taxes discouraged capital investment.—A. You see a 100 per cent tax on profits certainly obliges a corporation to readjust its marginal cost against its marginal revenue. The moment the corporation makes a certain profit and is taxed at 100 per cent, then there is no incentive to increase production. If you are on a graduated tax that never attains 100 per cent, then it does not change the equilibrium of the firm. There is always an incentive, provided the rate is not 100 per cent. There is always an incentive to expand production; that incentive is always there.

By Mr. Fleming:

Q. You are not prepared to be more specific than you have been about with what new taxes you propose to meet the balance of cost of the pension scheme?—A. No, because I think we should visualize our fiscal policy as something which has to be flexible and we should not impose too strict conditions on it.

Q. On the other hand, we have to find the money; and if we are going to recommend a new system of increased benefits, we have to find it now. That is why I was hoping, since you pointed specifically to a particular tax that you would recommend as the major portion of the tax, that you would be prepared

to indicate what other tax you would look to in order to meet the balance?—A. I believe we have already $100 million for that purpose, but I think it is not enough. And if with a special tax it is not enough, we could certainly refer to the corporation tax. It does not mean that if we have a depression we should increase the taxes. But at any rate during a depression we cannot expect to balance these expenditures and revenues.

Q. Very well. You said that the major portion should be financed out of this direct tax on personal income?—A. That should not be any special problem, I think, because at every session, if it is a good session, parliament increases the public services to the community. Parliament does not try to assess a specific tax for those new services.

Q. And how much? What would be the proportion you had in mind when you spoke about the "major part?"—A. It cannot be a fixed portion because it would change according to the fluctuation of income.

Q. Suppose you are starting now? Suppose you are sitting here as a member of this committee trying to formulate a recommendation to parliament?

Mr. KNOWLES: I wish he were!

By Mr. Fleming:

Q. What fixed percentage would you start with?—A. I do not understand that specific question. I think I would need much more detailed statistical information in order to be able to answer it.

Q. You spoke in relation to exemption, and you used the expression that "you hoped there would not be too many exempt"; and you used the expression "for psychological reasons". Would you enlarge on that thought, please?—A. If the great majority of Canadian people contribute, and have the proof that they contribute to old age security programs, then they will have the conviction when they receive the pension that it is not pure charity or public assistance. They will have the conviction that they receive it as a right. Furthermore, I think it might be used as a break in public demand for higher and more extended social security, because the public will know that from now on if they want to have more social security they will have to pay more taxes and more specific taxes.

Q. Quite. Now, how do you relate to other things that desirability of impressing upon the people who are going to get this universal benefit that it costs money, and that if people want benefits they have got to pay for them? How do you relate that to the remark you made in speaking of costs that you started with $100 million? Are you suggesting that that benefit be drawn out of the present tax pool?—A. I think so—for the rest.

Q. I may have misunderstood you, but I thought you suggested that we should take that $100 million out of the tax pool now, and reduce the income tax to that extent, and transfer that amount to your social security fund.—A. It was not a question of any particular moneys but rather one of transferring a part of the rate of income tax in order to avoid, after our program is started, having increases in the rate of income tax which it would be impossible to justify.

Q. How do you relate this psychological factor—the desirability of making people understand what they are paying for in the way of social security benefits—to the proposal of increasing corporation taxes?—A. The proposal of increasing corporation taxes is not for the specific purpose of the old age pension. It is purely for general revenue. If at one time the government should be facing a deficit in its general revenue, and if under the particular economic circumstances at that time a deficit is not desirable, then the government can certainly increase the corporation income tax.

Q. I agree that in the case of a tax on corporations you do not achieve that psychological factor which is desirable.—A. Oh no, no.

Q. Nor do you achieve it in the case of hidden taxes which people pay and which are hidden in the commodity they buy.—A. No.

Q. You emphasize the view that the budget should not be made to balance each year, although over a period of time presumably there should be an over-all balance. But in relation to a particular source out of which social security benefits are to be paid, do you contemplate the setting up of a separate fund apart from the Consolidated Revenue Fund, ear-marked for that particular purpose?—A. I think I discussed that matter this morning in my preliminary remarks.

Mr. KNOWLES: Yes, and very well too.

The WITNESS: And I think that if we accumulate too many funds we shall run into very intricate difficulties.

By Mr. Fleming:

Q. You are not proposing that the fund be ear-marked as a social security fund?—A. No.

Q. Then you do not raise the question of "pay-as-you-go" with respect to social security benefits at all?—A. You can work out a system of "pay-as-you-go" even if you take a part of the expenditures out of the general revenue. It is, over-all, "pay-as-you-go".

By the Chairman:

Q. Our family allowances are on a "pay-as-you-go" basis.—A. That is right.

By Mr. Fleming:

Q. I wish you would help me to understand more clearly than I do now, how you relate your view that there does not need to be any social security fund ear-marked for this particular pension purpose, and the thought that you are going to have some fund to be used for that purpose as well as something drawn from taxes. Are you going to attempt to achieve some plan with respect to your sources of income out of which these benefits are to be paid?—A. No. The special social security tax contributes only a major portion of the cost. I think there is no danger of having a surplus from that point of view. You will always have a residue of requirements that you will have to find in other places.

Q. So you say the over-all budget does not have to be balanced, and that portion of it which represents your social security income and out-go does not need to be in balance either?—A. At a time of very acute depression I think we should not be opposed even to borrowing or to credit expansion for that purpose.

Mr. SHAW: That sounds interesting!

By Mr. Knowles:

Q. The witness has made it clear that the pensions are to be paid out of the consolidated revenue fund. He also feels that for educational purposes an amount equal to a major portion of what it costs for old age security, 51 per cent or better, should be contributed by a graduated tax on net income.—A. Or it might be only a proportionate tax.

The CHAIRMAN: He does not discuss that part.

Mr. KNOWLES: It might be; but I think the witness said he did favour it.

Mr. FLEMING: I thought it was a corporation tax.

Mr. KNOWLES: Both.

The WITNESS: Both. I favour it. I would not fight against a proportionate tax.

By Mr. Knowles:

Q. But the witness says that with respect to the rest of the money, that is part of the general fiscal policy.—A. Exactly.

Q. I think it has been a little unfair to the witness to try to pin him down as to the methods of raising general revenue of the country. I think that is a matter of over-all government fiscal policy.

The CHAIRMAN: Yes, of over-all government fiscal policy. I believe that Mr. Knowles has said exactly what you had in mind, Professor Lamontagne.

The WITNESS: Yes.

By Mr. Shaw:

Q. I think the witness stressed the desirability of having payments earmarked so that the individual will have reason to believe that he is not accepting charity. Would the witness agree that, under his own proposal, scores of thousands of Canadians will make no direct contribution? I am thinking of the farm population, for example. We had evidence yesterday which indicated incomes below $1,400, which included all things grown. You would not actually reach that body by a long shot.—A. I would certainly agree with you that it is one of the main weaknesses of income tax. But I think there would be the possibility of improving our system in order to get at the farmer.

Q. So what you are saying in effect is that you would lower income tax exemption. Is that what you have in mind?—A. Yes.

Q. Below $750—A. No.

Q. But even at that level is it not a fact that there would be thousands—A. Yes, but as I said, I think it is deplorable and I do not think we should tax these people.

Q. I hope that my question will not be misunderstood in the light of the answers. I do not want my questions to be misunderstood. I am not recommending anything. I am just taking the situation as it is.—A. Yes. But I think that one of our objectives would be to try to get more and more people above that minimum.

Mr. KNOWLES: Hear, hear!

The WITNESS: Then we would be able to tax them.

Mr. SHAW: I see what you mean!

Mr. KNOWLES: Not just for that purpose!

By the Chairman:

Q. I believe what the witness has in mind is the fact that below a certain level of income people just cannot pay for anything.—A. Moreover, they are not exempted from the sales tax.

By Mr. Shaw:

Q. This feeling of charity to which you refer is not quite as important as some people say it is. Is it not a fact that those below income tax level today receiving pension would have no justification for feeling that they are receiving charity because they are paying in other ways?—A. Oh yes.

Q. I think that is an important point.

By Mr. Corry:

Q. May I ask Professor Lamontagne what his views are on the recovery from income of persons who ordinarily do not require this pension? Under our present income tax structure there would be very small chance of recovering by way of

income tax a great deal of what is paid to them. Would you consider lowering the exemption substantially for people in the upper income tax brackets?

The CHAIRMAN: Of 70 and over?

By Mr. Corry:

Q. Yes.—A. I do not think we should recover very much that way although I do not have any actual statistics to justify my answer on the distribution of income. But I think it would be quite a small proportion of our population which would be covered and it might involve some further complications in our collections.

Q. Is it your opinion that the amount which is recoverable would be negligible compared with the difficulties which might arise?—A. It might be desirable, but to a large extent impracticable.

By Mr. MacInnis:

Q. I have one question arising out of the questions which were asked by Mr. Shaw and which I think were very proper. In view of the answers you gave to those questions, Professor Lamontagne, is it your opinion that hardly any degree of social security can be achieved without the redistribution of income, things being as they are?—A. Without what?

Q. Without the redistribution of income?—A. Without the redistribution of income?

Q. Yes.—A. I think that one of the main purposes of social security is to redistribute national income.

Mr. KNOWLES: I move a hearty vote of thanks to the witness.

The CHAIRMAN: I am sure that according to what Mr. Knowles has said the members of the committee will join with me in thanking you, Professor Lamontagne, very much for the frank and enlightening discussion we have had this morning. I am sure that your contribution to the work of the committee will be of much value to us and we wish to thank you heartily for the time you have spent here. We know that you have many obligations and I know, for one, that you have had to postpone some very important engagements in order to come here.

—The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 25

FRIDAY, MAY 26, 1950

WITNESS:

Dr. H. M. Cassidy, Director, School of Social Work, University of Toronto, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
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1950

MINUTES OF PROCEEDINGS

FRIDAY, May 26, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar.

The House of Commons: Messrs. Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Ferrie, Fleming, Knowles, Noseworthy, Shaw.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Dr. H. M. Cassidy, Director, School of Social Work, University of Toronto, Toronto; Messrs. J. W. MacFarlane, Director of Old Age Pensions, C. D. Allen and J. Sparks, Research Assistants, Department of National Health and Welfare.

The Chairman presented the Sixth Report of the Steering Committee. (*See Minutes of Evidence*).

Dr. Cassidy was called. He presented a memorandum on "Old Age Security Retirement and Survivors' Benefits" and an additional statement entitled "Some Principles of Social Security", both documents being extracts from a report entitled "A Canadian Program of Social Security" prepared by Dr. Cassidy at the request of the Minister of National Health and Welfare in 1947.

The statements were taken as read and ordered printed in this day's Minutes of Evidence.

Dr. Cassidy was examined thereon.

At 1.00 p.m., witness retired, and the Committee, following a short sitting in camera, adjourned until Monday, May 29, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
FRIDAY, May 26, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Senator Fallis and gentlemen, we have a quorum.

There was a meeting of the steering committee last night at 7.30 p.m. The members of the committee had before them a copy of the brief presented by the War Veterans' Allowance Board in relation to universal pensions, and gave consideration to a request by the Department of Veterans Affairs and the War Veterans' Allowance Board that they be heard by the main committee.

Is that approved by the committee?

Agreed.

The steering committee agreed that they be heard on Tuesday May 30?

Agreed.

Mr. Willard, research adviser to the committee asked the opinion of the committee on the form in which the main committee's report should be drafted. The steering committee was of the opinion that the report should be quite comprehensive in respect of its factual part?

Agreed.

At five minutes to one, with your permission, I will call a meeting in camera.

Mr. FLEMING: There is just one matter which I would like to mention briefly. The day before yesterday I was called into the House before the meeting ended, otherwise I would have said then what I have to say now. I only learned last night at the meeting of the steering committee that at that time you proposed that after the committee has completed hearing evidence we should proceed in camera with the deliberations on and the writing of the committee's report. I said to the steering committee last night, and I wish to put myself on record now, as thinking that the deliberations of the committee ought to be in public and not in camera.

I am quite ready to concede that there has been a custom in the House of Commons committees to deliberate and write these reports in private. However, I had an experience a few years ago, and I will not go into the details now, but it made me feel that the practice is not good. While I gather from having seen the draft text of the proceedings of the committee just before the conclusion of its meeting two days ago that the committee has made its decision, yet I want to put myself on record as advocating that the deliberations should be in public rather than in camera.

Mr. BROWN: I do not agree with Mr. Fleming. I think that it has been the practice in the past that all findings and reports presented by committees are prepared in camera. I think it is a very good practice.

I know on any committee with which I have been connected, in my short term, that has been the practice and it has been very valuable. There are many things discussed very frankly among the members of the committee, in camera, matters not for publication and which should not be for publication. There, members of the committee get together and exchange views and, sometimes when

they are wrong, they are quite willing to admit that and change their minds. I think it would not only be dangerous but undesirable to follow Mr. Fleming's suggestion because, if we have this in public it would only tend to prolong the deliberations of the committee.

I am sure that Mr. Fleming and no one else on this committee is desirous of doing that. I think that we are working for the benefit of the country at large, and in particular, the aged people of the country, who are in need of assistance. That desire rises far above any political advantage which might be sought or derived from any public discourse on what we think on the findings of the committee.

I am certainly strongly opposed to have these hearings in the preparation of the report held in public and I would hope that we, as members of parliament, would be broad enough to strive for and seek a unanimous report.

Mr. SHAW: Mr. Chairman has the committee made it decision on this question already?

The CHAIRMAN: It has.

Mr. SHAW: Then I contend that it is out of order to debate it at this time.

The CHAIRMAN: I just want to add that it has been the constant practice that the deliberations of committees when preparing reports are held in camera. That has been the practice for twenty years at least, I have been informed. I have a ruling of the Speaker here but I shall not read it; it confirms the practice.

Last Wednesday the thought that there was any possibility of having public meetings for the preparing of our report was far from my mind. It was evident to me that we were following the only possible procedure. I never thought for a moment that we could do otherwise.

Anyway, the matter has been decided but I understood that Mr. Fleming, who was not here, wanted to make some objection. However, now that the matter has been decided I think we should go along with the decision that has been taken.

Our witness this morning is Dr. H. M. Cassidy, Director of the School of Social Work of the University of Toronto.

Dr. H. M. Cassidy, Director of the School of Social Work, University of Toronto, called:

The CHAIRMAN: Dr. Cassidy has been good enough to supply us with a memorandum which he wrote at the request of the Minister of National Health and Welfare in the early part of 1947.

The members of the committee, Dr. Cassidy, are very grateful to you for your appearance this morning. We know that you are a very busy man and you have left other things to come and help us and to give us the benefit of your knowledge in this matter.

Perhaps you would wish to make a few opening remarks before the meeting is thrown open for questioning.

The WITNESS: Mr. Chairman and members of the Committee, I have to present this memorandum, entitled "Retirement and Survivors' Benefits". I have also prepared something else entitled "Some Principles of Social Security" copies of which I have available for distribution to the members.

I had a very short time for preparation but this latter document is a condensation from a report prepared for the Honourable Mr. Martin two and a half years ago. I would first speak to it because I believe in it there are certain general considerations about social security which are particularly applicable to

old age security. In the condensed version I have tried to cut out some of the things in the original version, leaving only those relating particularly to old age security.

The CHAIRMAN: I believe that it would be suitable if you were to bring out the highlights. This memorandum will be incorporated in the evidence at this point.

SOME PRINCIPLES OF SOCIAL SECURITY

(Condensed from a report entitled "A Canadian Programme of Social Security" prepared for the Minister of National Health and Welfare by Harry M. Cassidy in 1947)

A substantial body of experience in this country, Great Britain, the United States, New Zealand, and other countries shows pretty clearly the major characteristics of a good social security system. During recent years there has been a growing consensus of informed opinion on the subject, which is now reported in an extensive literature, including many official reports. Canadian thinking has developed rapidly in recent years through the work of official bodies, private groups, and individual students.

From this background of experience and technical studies it is possible to construct a set of principles or standards with which a Canadian system of social security should conform. Most of the points which are listed below have been set forth, explicity or implicitly, in authoritative books or reports.[1]

The following principles are suggested as guides to Canadian policy: (1) *Broad coverage.* Appropriate services should be available in all parts of the country for all persons likely to need them.

(2) *Specialization and diversification.* Specialized and diversified services are essential to meet diverse types of social need.

(3) *Co-ordination.* The separate branches of the social services should be so co-ordinated as to work harmoniously together towards common ends as parts of a comprehensive system.

The various specialized programs are closely related and dependent upon one another like the parts of any machine. Successful operation of one part of the system depends upon the performance of the other parts. If one important element (e.g., unemployment insurance) is missing it may throw inappropriate, intolerable burdens on other elements (e.g., unemployment relief in Canada in the 1930's). Technical problems that are almost insurmountable when one scheme operates by itself are solved automatically if there are related or supporting schemes on either side of it. As Sir William Beveridge has said, some parts of a social security program "must be taken together or not at all, and even if reconstruction is by steps it is important that the whole should be dominated by unity of design." It is not necessary to build the house of social security all at once; but so much of it as is built should have all of its parts related and co-ordinated, and there ought to be provision for building the rest of it according to an over-all plan.

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[1] Sources upon which the list of principles is based include the following: International Labour Conference, 26th Session, *Social Security: Principles and Problems Arising Out of the War* (1944); Sir William Beveridge, *Social Insurance and Allied Services* (1942); Harry M. Cassidy, *Social Security and Reconstruction in Canada* (1943); L. C. Marsh, *Report on Social Security for Canada* (1943); Dominion-Provincial Conference on Reconstruction, *Proposals of the Government of Canada* (1945); Canadian Welfare Council, Dominion-Provincial Relations and Social Security (1946); U.S. Committee on Economic Security, *Report to the President* (1935); U.S. National Resources Planning Board, *Security, Work and Relief Policies* (1942); U.S. National Planning Association, *Joint Statement on Social Security by Agriculture, Business, and Labour* (1944); American Public Welfare Association, *A Platform for Public Welfare* (1945); Social Security Committees of the American Life Convention, the Life Insurance Association of America, and the National Association of Life Underwriters, *Social Security* (1945); U.S. Social Security Board, *Annual Report* (1946).

(4) *Minimum standards.* Minimum standards of service should be general throughout the country.

(5) *Emphasis on prevention and rehabilitation.* The social security system should be actively and vigorously concerned not only with the meeting of economic needs, but also with the prevention of social problems and the rehabilitation of individuals who are unable to cope with economic and other difficulties.

Income-maintenance by means of money benefits and grants is not enough. A program devoted solely to the maintenance of income will fail to meet many important social needs. Moreover, it will be very costly and may even contribute seriously to the lessening of economic incentives and the demoralization of the beneficiaries. Almost every branch of the social services can make some contribution towards these important objectives of prevention and rehabilitation. The economic and social advantages of strong emphasis on these policies are such as to give them the highest of priorities in the development of the social security system.

(6) *Family needs.* A social security policy should be designed to meet the needs of family units.

(7) *Limited use of means-test schemes.* Income-maintenance should be assured mainly by benefits as a matter of right without reference to the resources of the individual, rather than by money grants awarded on a means-test basis only to those who are destitute.

Social insurance, granting benefits as a matter of right to all insured persons, has emerged progressively to replace early poor law provisions for aid to the destitute. There has been a growing consensus of opinion that such measures are very much preferable to poor relief. One of the recommendations of the 26th Session of the International Labour Conference in 1944 was that "income security should be organized as far as possible on the basis of social insurance, whereby insured persons . . . are entitled . . . to benefits payable at rates and in contingencies defined by law."

The objections to means-test schemes (such as those of old age pensions and mothers' allowances now operating in Canada) are numerous. The best administered program of the kind carries with it the social stigma of charity, which is distasteful to recipients. These schemes penalize thrift and discourage enterprise, for they give aid to the shiftless and the careless while they deny assistance to the thrifty and the careful. They fail completely to protect differential standards of living, offering aid only when individuals and families have fallen below a subsistence level. They are difficult and costly to administer, for every application for aid calls for careful investigation into the resources of the applicant. They invite "chiselling," falsification, and deceit by applicants. They are unpopular with the people who are served. However much some of these objections to the means test are overcome by good administration, they remain as chronic problems which are likely to cause trouble and dissatisfaction.

But it is not possible to rely entirely upon benefits as a matter of right. There is a place for the means-test scheme to provide for residual groups which for one reason or another are not, or cannot be, assured of benefits as a matter of right. They are also needed to supplement the incomes of certain families or individuals whose social insurance benefits prove insufficient to meet all of their needs. The proper use of public assistance is to protect these residual groups, to provide for supplementation, and to deal with special or unusual situations. Public assistance should be the last line of defence in the social program, to care for those who fall through the network of other provisions.

(8) *Assurance of basic maintenance.* Social security benefits should be sufficient at the least to guarantee a minimum standard of living for beneficiaries, and preferably should be related to past or normal earnings.

The desirability of protecting the higher scales has been recognized in the United States and Canada, by means of social insurance benefits related to ordinary earnings, more than in Great Britain. But it is more difficult and much more costly to work out graded benefit plans than flat-rate subsistence schemes of the kind which have been developed in England. The English approach represents the very least that we should aim to achieve in Canada, and in so far as possible we should go beyond this to protect the higher living standards.

The application of this principle to the Canadian scene is beset with difficulties. The first of these is the technical problem of determining the amount of benefits required to support a subsistence or higher scale of living.

There is no family budget currently priced in Canada except that of the Toronto Welfare Council. This represents a level of living which it was agreed should be entitled "minimum adequacy" for purposes of this study—a level which represents health and efficiency for a family with some modest concession to customary living habits. It was agreed further that an attempt should be made to define a lower level of living that might be more appropriate as a basic guide to the amount of social security benefits. This level has been called "basic maintenance" and is designed to "provide food, clothing and shelter, to maintain health and working efficiency with no provision for the amenities of living."

The elements of the basic maintenance budget were worked out by trimming from the minimum adequacy budget (that of the Toronto Welfare Council) all possible items which did not seem to be absolutely essential to the maintenance of physical health and work efficiency. The following table shows the cost of these two budgets in Toronto as of August 1, 1947, for selected family units and shows also the relative costs for family units of different size.

Composition of Household		Cost of Basic Maintenance Budget		Cost of Minimum Adequacy Budget		Index of Relative Costs
Adults	Children	Monthly	Yearly	Monthly	Yearly	
		$	$	$	$	
1	....	50.48	610.48	61.19	739.96	67
2	....	75.90	917.80	91.98	1,112.28	100
2	1	89.40	1,081.08	108.36	1,310.40	118
2	2	108.36	1,310.40	131·36	1,588.60	143
2	3	130.25	1,575.08	157.90	1,909.44	172

The index numbers suggest the extent to which basic social security benefits should be increased above those provided for single individuals when the family unit includes a wife and children. Roughly it appears that with the addition of a wife the benefit should be increased by about one-half; and with the addition of each child by about one-third. This latter point is very much to be qualified by noting that the cost of additional children in the family will vary considerably depending upon the age of the children. The cost figures and the index numbers which are presented here have been obtained by the process of averaging.

These figures are by no means satisfactory guides to the fixing of social security benefits. The Toronto Welfare Council budget is open to some (although probably not too serious) technical criticism. The basic maintenance budget derived from it might be improved materially by further study.

Much more serious is the fact that the housing situation in Toronto at present is such as to make it almost impossible to provide properly for a rental allowance. Proper housing cannot be obtained even by those who are comparatively well

off. It is impossible to say that the allowance which has been made, of $2.67 per week for a room, for a single person is really adequate. In practice a single person may have to spend a good deal more for the meanest kind of room, and to the extent that he does this he will have to curtail seriously the purchase of food or other items.

Accurate information on variations in the cost of maintaining either of these standards of living in other cities and in the small towns and country district is not available. However, scattered and limited data suggest that the costs of living are about as high in Montreal, Winnipeg, Vancouver and the other larger cities as in Toronto. They are probably somewhat lower in the smaller towns and cities, particularly those under 25,000 in population, and they may be substantially less in rural districts. The major reason for the variation between large cities and the smaller communities and rural areas is undoubtedly rent. But the extent to which the budgets should be trimmed for the smaller communities is frankly unknown.

A very substantial amount of careful research is required in order to compile and price reliable family budgets and to discover variations in costs from the large cities to the smaller communities. Such research is essential to good social security planning.

(9) *Economic incentives and efficiency.* The system should be designed to preserve economic incentives for the individual to work and to save, and to contribute towards economic efficiency and productivity.

Fears are commonly expressed that generous provisions for social security will interfere seriously with individual incentives to work, to saving, and to economic independence. There is little real evidence from Canadian or foreign experence thus far to support such apprehensions.

But there certainly is danger that a badly conceived social security system will weaken economic incentives. Careful planning should protect against such dangers. Benefits for employable persons should be less than ordinary wage earnings, benefits should be offered as a matter of right rather than on the basis of needs so that the individual will get the full benefit of any saving he may undertake; health and other programmes to build physical well-being and morale are essential; and training schemes to increase employability and social adjustment may be required as conditions of cash benefit.

Indeed, a well-conceived social security program should actually increase incentives to work and to save rather than the reverse. Malnourished, unhealthy, handicapped, and discouraged people are more likely to lapse into the apathy of chronic dependency than to be forced by the pressure of poverty into self-reliant achievement.

(10) *Revenues from individuals, employers, and government.* The revenues for social security should be obtained from individual contributions, employer contributions, and general tax funds, with capacity to pay being a guiding and a limiting factor in each case.

Individual contributions clearly earmarked for certain types of social security such as unemployment and sickness insurance, retirement and survivor's benefits, and medical care are justifiable and indeed highly desirable for the following reasons.

(*a*) Canadian public opinion appears to favour such an approach. Trade unions are generally in favour of contributions to social insurance, leading political parties have expressed the same view, recommendations of the kind have been made in various official reports, and there is broad popular acceptance of the idea.

(*b*) The experience of many countries, including Great Britain, the United States, New Zealand, and Canada itself, supports the contributory principle. It has been re-affirmed in Great Britain in the course of the thorough overhauling of social security measures which has occurred

there recently. The recommendations of official and unofficial bodies for changes in the United States favour continued application of the principles there. Even in New Zealand, which has moved furthest towards a program based on general taxation, there is a specific levy of $7\frac{1}{2}$ per cent on all incomes, which is earmarked for social security purposes. In Canada the contributory principle is represented in the unemployment insurance system.

(*c*) Expert opinion as represented by the International Labour Office, the Social Security Board of the United States, Beveridge, and other authorities generally supports the principle. This remains true in spite of the much increased scope and costliness of social security measures. The view has been expressed in certain quarters that it would be simpler and more equitable to finance the entire program from the proceeds of general taxation. But in the opinion of most experts there are distinct advantages in continuing to use earmarked individual contributions as one major source of revenue, along with governmental and employer payments.

(*d*) The contributions device should make it possible to raise more money in total for social security purposes than if the sources are limited to general taxation and employers. It is necessary to go very low in the income brackets in order to raise the large required revenues at percentage rates which are not excessive. Most people, even the poor, will pay willingly (or not too unwillingly) social security levies which assure them of certain benefits, whereas they will not pay income taxes with much enthusiasm. Evasion in the one case should be much less than in the other.

(*e*) The Consolidated Revenue funds of the Dominion and provincial treasuries must be protected against unreasonably high demands for social security appropriations. If a substantial portion of the revenues can be raised by direct contributions from the prospective beneficiaries the burden upon the Consolidated Revenue Fund and upon the provincial and local governments should be materially lessened.

(*f*) A contributory system should protect against uninformed public agitation to raise benefits unreasonably. Already in Canada there are strong advocates of universal old age pensions ranging from \$50 to \$60 a month; and in the United States there has been powerful pressure for \$100 to \$200 per month for everyone over 65. If the contributory principle is established it should be a good deal easier to discourage public demands for unreasonably high benefits which the economy cannot afford, because it will be clear that greatly increased contributions from individuals will be required.

(*g*) It may be argued, as Beveridge and others have done, that most members of a social security system receive a certain amount of satisfaction from personal contributions to it and that this generates personal interest in the scheme. Of course, the remoteness of a national system from the individual may weaken this argument a great deal, but there is probably something to it.

(*h*) *Individual contributions towards retirement* and survivors' security and medical care are particularly desirable in Canada because we have already committed ourselves heavily to government financed programs, notably family allowances. Unemployment insurance is our only real contributory scheme at present. We would establish much better balance between the shares of government, employers, and prospective beneficiaries by applying the contributory principle in the case of retirement and some at least of the schemes yet to be adopted.

The individual contribution principle should be so applied that charges are imposed only on those with some capacity to meet them. This means that those persons whose incomes are at less than a minimum level should not be required to contribute at all or that they should pay only a small token fee. Flat rates of contribution for all adults or even percentage levies on gross income violate this requirement, and they are therefore open to serious criticism.

The individual contribution principle should also be applied in such manner that benefits are clearly related to contributions. That is to say, the individual should only be entitled to benefits if contributions have been paid by him or on his behalf for an appropriate period of time. If this relationship is established there is a positive inducement for the individual to comply with the contribution rules. This is lacking if payment is made by means of a generalized income tax levy, as in New Zealand.

Employers should also meet some of the costs of social security, particularly of those types concerned with hazards arising out of employment, such as unemployment insurance and workmen's compensation. But the charges to be assessed against employers should not represent a large proportion of total costs, for in the main such contributions will represent a tax on production which will be passed on, at least partially, to consumers in the form of higher prices. To a considerable extent these higher prices are similar to regressive sales taxes which press more heavily upon the poor than upon the rich.

Governmental contributions are necessary for several reasons. For one thing, governments must finance services such as public health, public assistance, and child welfare. Governments must also make up the difference between reasonable individual and employer contributions and the total costs of the more expensive schemes such as retirement benefits, medical care, and unemployment insurance. It is difficult or impossible to assess against the lower income groups "premiums" sufficiently high to meet the costs of the benefits to which they may become entitled and it is appropriate for governmental contributions to make up this deficit. The governmental share of the total costs should be derived as far as possible from the proceeds of income and other progressive taxes.

It is clear that in Canada the greater part of the total governmental contributions should be met by the Dominion.

(11) *A sound administrative system.* Provisions for good organization and administration are indispensible.

A modern system of social security such as is required in Canada will be so large and complex as to call for unusually good organization and most skillful administration. There must be great emphasis upon the organizational and administrative aspects of the program in order to avoid such errors and disappointments as those associated with unemployment relief in the 1930's. Running all through the administration there should be a dominant strain of humanitarian consideration for the people who are served. Their individual worth as persons must be fully recognized and help must be granted to them with dignity and with decency.

(12) *Competent personnel.* Succesful operation of the social services calls for highly skilled personnel.

Experts in general medicine, public health, psychiatry, nursing, social work, public administration, teaching, and other specialties are required for the social services. Personnel policies stressing professional qualifications, non-political appointments, security for the efficient, and favourable terms of employment are required to attract competent people to social security administration.

(13) *Citizen participation.* There should be specific provisions for the collaboration of representative groups and individual citizens in the planning and the operation of the program.

(14) *A three-way partnership.* Responsibility for the administration and the financing of social security in Canada should be divided between the Dominion, provincial, and local governments.

(15) *Dominion leadership.* The Dominion-provincial-local partnership calls for vigorous Dominion leadership regarding all aspects of the social services.

It will not be sufficient for the Dominion to operate family allowances, unemployment insurance, and other measures and to make financial grants to the provinces in connection with a few remaining schemes. For if these are the limits of federal action there is grave danger that there will not be effective co-ordination of the whole program. The Dominion should be actively interested in all aspects of social security. It should assist and encourage those parts of the program which are administered by the provincial and local governments by means of financial grants and technical services. It should take the lead in policy formation, seeking always the co-operation and collaboration of the provinces. Thus there may emerge central direction without domination and a genuinely national system of social security characterized by a great deal of decentralization of policy formation and administration.

(*End of Written Statement*)

The WITNESS: The effort here was to set forth certain basic principles of social security which seem to be derived from experience in various countries.

At the bottom of the first page you will see a footnote listing sources upon which the list of principles is based, including various American reports, and there you will find authority for virtually everything that is in here.

The first principle is broad coverage. The whole of the population should be covered. The second is specialization and diversification, which you need in a good program of social security.

The third principle is co-ordination. May I linger on this. I think experience has shown that if a country sets up one program, e.g. old age security only, or family allowances only, and, if it does not have public assistance or medical care organized, the whole program may be thrown out of balance. I think it is fair to say that we have a theory in the field of social service which is not unlike the theory in warfare. In warfare you need horse, food, artillery, infantry, tanks and supplies if you are to move forward successfully. If you do not have the right proportion of each you will be overwhelmed.

Mr. BROWN: Horses are out of date.

The WITNESS: I was speaking metaphorically. If one branch of the social services is on the low side everything will suffer. I think we have a very good example in the case of the unemployment relief in the 1930's which, in Canada, had to carry far more burdens than were appropriate for that program.

It seems to me this is a matter of some concern in developing programs of old age pensions and unemployment insurance in Canada. If, for example, we go ahead with a scheme of old age security having very generous provisions, it will cost a lot of money. It will then be more difficult to raise money for other programs, such as medical care. Public assistance, in any good program of social security, should be there in reasonable balance too.

Minimum standards of service should be general throughout the country if the citizen in a democratic society is to have reasonable equality of treatment.

The next point is emphasis on prevention and rehabilitation. One of the grave defects in social security plans in many countries, which has led to much criticism of the welfare state, is that cash benefits have been stressed. Cash benefits have certainly a place in any social security plan but you are not going to solve the social problems of a society merely by paying out cash in constantly increasing quantities to all kinds of people. It will be very costly and may even contribute seriously to the lessening of economic incentives and the demoralization

of beneficiaries. Emphasis on prevention and rehabilitation is much better for the economy, for productivity, and it is much better psychologically, for the people concerned.

The next point is family needs. We live in family units and therefore a benefit program should be designed to protect the family. The family needs are different from individual needs.

The next point is the limited use of means test schemes. I think we do not need to linger on that. I think the committee has had much argument against the means test.

Means test schemes are difficult to administer, costly, and they are not desirable in terms of the effects and repercussions on the individual. There are a variety of other disadvantages on which I need not linger.

In spite of this, it is not possible to rely entirely upon benefits as a matter of right as we do in social insurance systems. There is a real place for a means test scheme to provide for residual groups which cannot for one reason or another be assured of benefits as a matter of right. In general I think the means test should be used as little as possible and that policy should be directed employing it only to supplement the income of certain families or individuals whose social insurance benefits prove insufficient to meet all of their needs and to protect a limited number not eligible for insurance benefits.

The next point is the assurance of basic maintenance. The benefits should be sufficient to guarantee a minimum standard of living for beneficiaries and I prefer myself to relate them to past or normal earnings.

The problem in Canada regarding determination of basic maintenance is to try and find out how much the cost of living really is in each separate centre, Toronto, Montreal, Vancouver, the smaller cities, the rural districts and the countryside. We lack data on it.

Turning to page 6 on the memorandum you may be interested in some of the material which we developed two and a half years ago through the research staff of the Department of National Health and Welfare with which I was working at the time. We took the only cost of living budget currently available in Canada—the Toronto Welfare Council budget. You will see from the figures on page 6 that the budget was what we called a minimum adequacy budget. It had been designed as a basis for assistance to clients of social agencies but we trimmed out of it certain items—items for medical care, union dues, church collections, and everything we could trim—to bring it down to what we called a basic minimum budget, just designed to keep body and soul together and to keep a person in a state of physical health. There was nothing of amenities in it. We came to the conclusion, as the figures show as of August 1947, that it would cost approximately $50 a month for a single person and you will see the other figures: $75 for two adults; $89 for two adults and one child; $108 for two adults with two children; $130 for two adults and three children. The figures are almost three years old and, in view of the increase in the cost of living in Toronto and on the basis of the Dominion Bureau of Statistics, the cost of living has gone up by about 20 per cent since then and we would have to increase those figures by something like 20 per cent; roughly speaking the comparable figure for basic maintenance for one person would be around $60 at the present time, and so on.

The CHAIRMAN: In Toronto?

The WITNESS: In Toronto. We did not have the data to go on, but our thought was that in the urban centres the cost would be somewhat higher than in the middle size towns like Brantford, Oshawa, Belleville, in Ontario; Sydney and New Glasgow in Nova Scotia, and New Westminster in British Columbia. Although we didn't have enough data, the evidence was at least sufficient to indicate that in the very small towns and villages, those of 2,000 or 3,000 population, and in rural sections of the country, the cost of living would definitely be

lower, the major reason for the difference being in the lower rental costs. We concluded that there was probably some difference, sufficient to indicate the need for very careful research into all the elements of cost that go into the family budget so as to discover and determine the variations in cost between the larger cities and the smaller communities. Such research, I submit, is really essential to good social security planning. Our work indicated the necessity for studying carefully that kind of data, such work to be taken in hand by the Department of National Health and Welfare and the Dominion Bureau of Statistics.

The next point is that the scheme should provide for economic incentives to encourage efficiency; and I need not comment long upon that point. I take it that is self-evident. Fears are commonly expressed that generous provisions for social security will interfere seriously with individual incentive to work, to saving and to economic independence. I think it all depends upon the kind of social security measure you have. With the right kind it seems to me, sir, you should actually encourage individual initiative and improve economic efficiency.

The next point is the suggestion that the revenues shoud be raised from individuals, from employers and from the government; and those are points, I take it, which are extremely important in the deliberations of the committee. I take it from having hastily read some of the evidence that there have been differences of opinion on the subject. I wrote this some three years ago—that there is a very real place in any social security scheme for old age security for individual contributions, for individual contributions clearly earmarked for the purpose of benefits to be paid to the people, or their dependents, who make contributions in the course of their working lives. There are serious arguments here, sir, which seem to prove the position which I submit is very well founded on expert opinion and by experience in various countries. Not only in the case of Canada but in most of the countries where it has been tried this principle of individual contribution seems to be preferred by most people. You, sir, and your colleagues here, would know very much more about that than I do. The experience of many countries, including Canada itself as well as Great Britain, the United States and others supports that view. This matter of individual contributions was the subject of extensive discussions after the war and was strongly supported by Lord Beveridge in his great report, and in further discussions which led to the recent recasting of the British system. It has also been the subject of discussion in the United States during the last three or four years, notably in the hearings before the Senate Finance Committee and the hearings before the Advisory Council on Social Security, and in other places, and it has generally received support. Therefore, it seems that there is a lot of experience in support of the application of the contributory principle. Certainly there is expert opinion, as represented by the International Labour office, the former Social Security Board and the Social Security Administration in the United States, Lord Beveridge in his report, to which I just referred, and outstanding authorities in many other countries.

Now, the view has been expressed in some quarters that it will be much simpler and much more equitable to have the entire program provided for out of public funds through general taxation. I do not agree. One reason to support the contributory principle for old age benefits, for unemployment insurance benefits, and for cash sickness benefits, and for other benefits as a matter of right, is, and I think this point is very important for Canada, that the contributions should make it possible to raise more money in total for social security purposes than if revenue sources are limited to general taxation and to employers' payments. It is certainly true, as I think has been pointed out to the committee by other witnesses who have appeared here already, that you must go very low in the income scale in order to raise the large amount of money required for old age security, for medical care, for unemployment insurance benefits, and so on, if they are to be on a reasonable scale. Then it seems to me,

and I think the evidence supports it, that most people even though they are comparatively poor, with very limited means, in the low income group, will pay, if not willingly, at least not too unwillingly, into a social security scheme which assures them of certain benefits, and that it woud be easier to collect contributions for a purpose of that kind than is the case with income and other forms of taxation for the reason particularly that the person making the contribution knows that by doing so he becomes eligible for a stated benefit at a certain time. Such a system offers an incentive for him to make his contribution, an incentive which is lacking with respect to income or other forms of taxation. As you know, there is a disposition to avoid on the part of everyone the payment of taxes like the income tax, and the incentive element is a protection against that in a social security plan; so I think, in view of the amount of difficulty that you always meet with respect to raising enough money for a scheme of this kind, that although it is very costly it may become quite practicable with the application of the contributory principle.

The next point is that the consolidated revenue funds of the dominion and the provincial treasuries must be protected against reasonably high demands for social security appropriations, so that if a substantial portion of the revenues can be raised by direct contributions from the prospective beneficiaries the burden upon the consolidated revenue fund and upon the provincial and local governments should be cut down. Further, I believe that a contributory system offers protection against uninformed public agitation from unreasonable pressure groups for high benefits, such as exists in almost every country wherever schemes of this kind are in operation. We have seen many evidences of that, in the United States particularly where you had a group like the Townsend plan group in California, and like the various other groups largely on the west coast. I saw some of those in operation during the five years I spent at the University of California. Already in Canada there are strong advocates of universal old age pensions ranging from $50 to $60 a month or much more; and in the United States, as I suggested, there have been powerful pressures for payments of $100 to $200 a month for everyone over 65, without any contribution whatever. It seems to me, sir, that if the contributory system is well established, if it becomes clear that if the benefit rate is to go up substantially there would have to be an accompanying increase in the contribution, I think that is a very important psychological fact working against extravagant demands for old age benefits or related social security benefits. I do not think, sir, that you will have nearly as great a problem if the payments are made from a fund to which those receiving benefits have contributed.

Next, it may be argued, as Beveridge and others have done, that most members of a social security system receive a certain amount of satisfaction from personal contributions to it and that this generates personal interest in the scheme. I think I will stress this point more now than when I wrote it some two or three years ago. I believe that people get very much greater satisfaction when the benefit under a social security scheme comes as a matter of right and not as a matter of relief, when the individual feels that he gets it as a result of some kind of a contractual obligation, that by reason of his contributions he is entitled to a benefit at age 65, 68, or 70, as the case may be. It is a very real satisfaction for the individual to know that he can walk into the old age security office and know that he will be assured of getting his benefit if certain rather very simple facts are established, by contrast to a means test system where there is not usually the same element of right.

Then finally, the argument may be made that individual contributions towards retirement, old age security, medical care and so on, are more needed in Canada perhaps than elsewhere, because, whether rightly or wrongly the record shows that the cost of present security programs rests very heavily on our government. That is the case notably with family allowances. Unemployment

insurance is the only really contributory scheme in effect at the present time. Canadians pay much less, relatively towards their social security through direct ear-marked contributions than do the citizens of Britain, the U.S., New Zealand, or other leading countries.

The individual contribution principle should be so applied that charges are imposed only on those with some capacity to meet them. That means that those persons whose incomes are at less than a minimum level should not be required to contribute at all or that they should pay only a small token fee, and that is why we have indicated a graded scale of contributions in our table. I think also the contribution principle should be applied in such a manner that benefits are clearly related to contributions; that is to say, the individual should only get the benefit if contributions have been paid by him, or on his behalf, for some appropriate period of time. Here again there is a positive argument for making the contribution regularly, as the benefit is contingent upon his having made his payments over a certain period of years.

The next point is the argument that every employer should bear some part of the cost of social security. I need not linger long on that. I think I have dealt with that sufficiently in my brief here where I say that the employers should meet some of the cost of social security, but that the charges to be assessed against employers should not represent a large proportion of total costs, for in the main such contributions will represent a tax on production which will be passed on, at least partially, to consumers in the form of higher prices. And in that connection you have the experience in certain other countries which have tried it; take France, for instance; I was in France recently and I heard a great deal of complaint about the heavy burden resulting from approximately 30 per cent of the wage bill being required from the employer, as a social security contribution; and as one might reasonably expect in a case of that kind the employer would add that as an item of cost and that would have an effect on the cost of living. I think that the employer should pay something in respect of such things as unemployment insurance and workmen's compensation, and it may be that we could raise at least a part of the contributions toward old age security from the employer as well.

But as I mentioned, governmental contributions are necessary for several reasons. The government must contribute to some of the programs and it must also make payments to supplement the insurance funds, particularly in any case where a deficiency arises, and that is the sort of thing you have to meet in programs of this kind.

Now, the next point is the need for a sound administrative system, and I think I need not remark on that very much. I think I would say that our administration of old age pensions in Canada falls short, that we do not have a very distinguished record. I would think that our administration of the old age pensions up to the present since, since 1927, has been far from good, by and large—with notable exceptions in two or three of the provinces. I would not care to name them; but you know one of those provinces, Senator King. I think that the emphasis for many years has been chiefly upon the financial aspect. But I do not believe that an old age security program should be conceived primarily in financial terms. It should involve also the personality of the individual, the social circumstances surrounding him, and thinking about him as a human being. All those factors are important. We have not in Canada done very much until recent years to bring well qualified trained people into the administration of our old age pensions. I regret that over the years the federal government has not paid at least a part of the administrative costs of the various provinces, as has been done in th United States. If that had been done I think the federal government could have played a more vigorous part in the direction and the control of administration. In referring to control here I do not mean

control of what is actually being done in the technical sense but rather co-operating with the provinces in helping them to do a better administrative job so that the total operation becomes a partnership with mutual respect on each side.

The next point is competent personnel, and here again I am speaking more or less on general lines. I agree with those who say that we should have more trained personnel in social service work of this kind, that we have not got a sufficient number of properly trained personnel to deal with the administration of these programs at the present time. So far as the Canadian schools of social work are concerned, we could not possibly undertake to train sufficient personel adequately to service a program of this kind, being discussed here, certainly not without further financial support; otherwise, we simply would not be able to handle the training job.

Mr. Fleming: That would seem to suggest a grant to the schools of social work for that purpose.

The Witness: My next point is citizen participation, and I think I can pass over that one.

The next is a three way partnership, and as I suggest there, responsibility for the administration and the financing of social security should be divided between the federal government, the provincial, and the local governments. The principal idea in mind when I wrote that was that the whole thing should be decentralized as much as possible, that we should decentralize our social service administration. I think there are very important roles there for both the dominion and provincial authorities at the major levels. One thought I had in mind was that a leading function of the federal government should be that of giving leadership, which is a very important aspect of the whole matter. As I say there, it will not be sufficient for the dominion to operate family allowances, unemployment insurance and other measures and to make financial grants to the provinces in connection with the few remaining schemes. For if these are the limits of federal action there is grave danger that there will not be effective co-ordination of the whole program.

Now, Mr. Chairman, I am prepared to discuss this other memorandum, if you would like me to do so now.

The Chairman: Yes. This memorandum will appear at this point in our printed proceedings.

OLD AGE SECURITY RETIREMENT and SURVIVORS' BENEFITS

(The following memorandum on retirement and survivors' benefits is an extract from the report entitled A CANADIAN PROGRAM of SOCIAL SECURITY prepared by Dr. H. M. Cassidy at the request of the Minister of National Health and Welfare in the latter part of 1947.)

Retirement Benefits

A good system of old age pensions or of retirement benefits, as they are called here, should be based upon a number of principles notably universal coverage, individual contribution, benefits payable without means test, benefits sufficient for basic maintenance, and incentives to individual saving. In addition there are several principles particularly applicable to a retirement system which should serve as a guide to policy, as follows:

(1) *The scheme should permit retirement of men at age 65, and women at age 60.*

This is in accord with widely held opinion in Canada, so that it needs little or no supporting argument. However, it may be useful to quote two of the

recommendations of the Twenty-Sixth Session of the International Labour Conference:—

> 19. The contingency for which old age benefit should be paid is the attainment of a prescribed age, which should be that at which persons commonly become incapable of efficient work, the incidence of sickness and invalidity becomes heavy, and unemployment, if present, is likely to be permanent.
>
> 20. The minimum age at which old-age benefit may be claimed should be fixed at not more than 65 in the case of men and 60 in the case of women.[1]

(2) *The system should discourage premature or unnecessarily early retirement from gainful employment.*

To put it differently, the beneficiary should be given a reasonable choice, within a certain range of years, as to when to retire. There are several major reasons for this:

(*a*) Continued work is desirable for most older people. Most persons will be happier and more satisfied if they continue to work beyond the minimum age for retirement which is permissible.

(*b*) The increasing span of life and other factors are rapidly changing the age distribution of the population so that in the future it will be heavily weighted on the upward side. Therefore the economic contribution of older people will be needed more in the future than it has been in the past.

(*c*) Social security costs will be larger if retirements are early. It is important to keep older people at work in order to hold benefit costs to a reasonable level.

(3) *The system should be financed on a "pay-as-you-go basis" rather than on a reserve basis.*

The financial and economic complications of a reserve system are very considerable, as has been discovered in the United States in connection with the old age insurance provisions of the Social Security Act. In order to build up funds to provide for the contingency of retirement benefits many years ahead it is necessary to provide for huge reserves, which create many problems of scale of current contributions and investment of surplus. It seems best that payments by each generation of the gainfully employed, supplemented by government subsidies should provide for the maintenance of the old people of that period.

(4) *There should be a national system of retirement benefits* ([2]) *with Dominion Administration.*

A uniform national system under Dominion administration is much to be preferred. This has been agreed on by nearly everyone who has given serious thought to the matter. American experts strongly advise a national system for the United States. The fact that a person may move during the course of his working life from one province to another in Canada is a dominant consideration in proposing the Dominion system. Rights to benefit should not be impaired by his movement from one province to another, and this cannot be guaranteed or easily arranged if there are separate provincial systems.

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[1] *Social Security: Principles and Problems Arising Out of the War*, p. 43.

[2] The argument that follows applies particularly to a contributory system, with benefits as a matter of right which are directly related to contributions—in other words, to a social insurance plan. There is no objection to provincial means test schemes. Indeed means test schemes, if they exist at all, ought to be provincially administered.

It will probably be necessary to obtain an amendment to the British North America Act in order to establish a federal scheme. The objective of a national system should not be discarded until every possible effort has been made to get around constitutional difficulties on this point even to the extent of obtaining a constitutional amendment, which it is quite possible all the provinces would approve.

(5) *The scheme should provide for a simple system of administration.*

Everybody be entitled to retirement benefits on very simple conditions, consisting essentially of proof of age, of contributions, and of retirement.

The application of these principles leads to the rejection of a number of the leading foreign systems as models to be followed by Canada. Social insurance of the type developed in Europe has generally covered only wage-earners, so it fails to implement the principle of universal coverage. The system of old age and survivors' insurance developed in the United States under the Social Security Act is based substantially upon European practice. It has a number of serious deficiencies which are becoming increasingly recognized. It is limited to wage-earners, mainly in urban industry, and does not include all of these. The benefits which it offers are closely related to individual contributions and have proven to be inadequate for workers in the lower-paid groups with contribution records limited in number of years. It calls for a most complicated and extensive system of individual record keeping. It was planned, originally to build up huge reserves from current contributions which were to rise to three per cent of wages for employees and three per cent of pay rolls for employers, but Congress has refused thus far to increase the rates from one per cent for each of the contributing parties. The prospective accumulation of the huge reserves predicated in the original plan has led to much controversy regarding the management and the investment of these funds.

The New Zealand program of 1938, whereby there was a combination of "superannuation benefits" and "age benefits", the former being granted as a matter of right to everybody over 65 years of age and the latter on a modified means-test basis to those over 60 years of age, has the great merit of universal coverage. But it still contains a means-test element. Moreover the superannuation benefit system was not to come fully into operation until 30 years after 1938. Benefits are not directly related to contributions, the finances of the scheme being derived from the generalized social security levy of 7½ per cent on incomes plus subsidies from general tax funds. The New Zealand system avoids many of the problems and deficiencies of traditional social insurance and it is free of the administrative complexity of the American system. But it has gone so far as to lose some of the advantages of social insurance, notably the maintenance of that relationship between benefits and contributions which stimulates individual interest in and responsibility towards the program.

The new British scheme authorized by the National Insurance Act of 1946 has the great merits of universal coverage, individual contributions, and relationship between contributions and benefits. But its flat rate contributions are in conflict with the principle of individual payments according to capacity to pay.

The Green Book scheme of 1945 was good in breaking away from the limitations of conventional social insurance, in offering a national system, universal coverage, in promising simple administration, and in avoiding constitutional problems. But it too failed in some respects, to measure up to the principles upon which a good scheme should be based. It provides protection for the age group 65 to 69 only through a means-test scheme. The benefits of $30 monthly for those over 70 would be less than sufficient for basic maintenance with costs of living as they were in 1945 and as they are now. The scale of benefits for married persons living together is twice that of the single benefit, when it need only be 1·5 times this amount, so that there is discrimination against single persons. There is no provision for the child dependents of old people, and it does not call for individual contributions related directly to benefits.

Such considerations have led to an effort to draft an alternative plan which would be more suitable for Canada than the Green Book scheme and which would be based more fully upon sound principles.[1]

This plan is outlined below.

1. *Benefits*

Benefits would be of three classes—Primary, Dependent Adult, and Children's—to be payable as of right to all eligible persons without means test.

Primary benefits would be payable until death, at varying monthly rates, to heads of families or single persons aged *65 years or above* as follows:

For those claiming benefits at	65	$23.50
" " " "	66	$26.50
" " " "	67	$28.50
" " " "	68	$32.00
" " " "	69	$36.00
" " " "	70	$40.00

This scale of benefits, which is considered appropriate for 1947, should be adjusted upwards or downwards periodically in accordance with changes in the cost of living as indicated by the present cost-of-living index of the Dominion Bureau of Statistics, or, preferably, by a more refined and more accurate consumers' price index which might be established.

Spouses who qualify, as contributors, for primary benefits should be entitled to these, so that two primary benefits would be payable to a limited number of family units.

Dependent adult benefits would be payable in respect of persons over 60 years of age consisting of spouses (mainly wives) and possibly others, such as sisters, who have ordinarily been dependent upon the primary beneficiary. This benefit would be fixed at 50 per cent of the primary rate.

Children's benefits would be payable in respect of children dependent upon the primary beneficiary up to 16 years of age, or if in school, up to 18 years and would amount to 25 per cent of the primary benefit.

1. *Eligibility*

Primary benefits would be granted to all persons who:

(*a*) Comply with the age requirements listed above;

(*b*) Have retired from their ordinary gainful occupations, subject to their being authorized to take odd jobs and make small earnings;

(*c*) Have resided within Canada for 10 years or more prior to claiming benefits;

(*d*) Are not already protected by virtue of public policy, such as war pensioners, War Veterans Allowances' recipients, and inmates of mental hospitals, prisons, and other public institutions;

(*e*) Are not Indians on reserves or Eskimos;

(*f*) Have paid contributions or have had contributions paid for them by provincial governments for a certain number of years, beginning with one a year after inception of the scheme, and rising year by year to a total of 20 or more.

3. *Finances*

The scheme would be financed by means of contributions from individuals, provincial governments, and the Dominion.

Individual contributions would be payable by or on behalf of:

(*a*) Income-receivers;

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[1] This alternative is more similar to the Swedish system of old age pensions than to any foreign plan known to the writer. In Sweden individual contributions are made through the income tax system. See Canada's Health and Welfare, October, 1947, p. 7.

(*b*) Other heads of families, and single persons age 16 and above or 18 and above if in school, except certain groups such as war pensioners and War Veterans Alowances' recipients ineligible, for benefits, inmates of mental hospitals and other public institutions over 65 years of age, and Indians and Eskimos;

Income-receivers would be required to make contributions at the rate of five per cent on that portion of income above the following exemption limits:—

Single person	$600
Married person	900
Each child dependent, if under 16 or under 18 and attending school	150;

with a minimum annual charge of $15 and a maximum of $100. Contributions would be collected by the Dominion Income Tax Branch through its regular machinery with arrangements being made for deductions at the source (in the case of wage-earners) and annual settlement of balances due.

The provincial governments would be required to make the minimum payments of $15 in respect of all heads of families or single persons who declare and prove their inability to make their own contributions by virtue of being below the assessable income limits or by virtue of having no income. Many of those in this latter group and some in the former group would be in receipt of public assistance. Such contributions by the provincial governments would be counted as public assistance expenditures towards which Dominion grants should be payable if they exceeded certain limits.

The Dominion government would meet the remainder of the costs from the Consolidated Revenue Fund. Part of the federal subsidy would be recovered in the form of income tax since benefits would be taxable as well as the other income of beneficiaries.

4. *Administration*

Preferably there should be a complete national system with administration through regional offices of the Department of National Health and Welfare. This presumes a constitutional amendment to permit legislation in this field.

In the absence of a constitutional amendment the Dominion might enact legislation to provide that the scheme would go into effect in those provinces which passed enabling legislation authorizing the collection of contributions from their residents by the Dominion Income Tax Branch and authorizing in detail other provisions of the scheme, including administration by the Department of National Health and Welfare. This system might be made applicable only to provinces which reached tax agreements with the Dominion. A complete national system would emerge as soon as all provinces passed the appropriate legislation.

5. *Related measures*

If the new scheme were to become fully effective at once, which is preferable, it would mage unnecessary the present system of old age pensions, so that existing Dominion legislation on this subject could be repealed. However, if retirement benefits were to be adopted only by means of enabling legislation in certain provinces it would no doubt be appropriate to retain the existing old age pension system for those provinces which did not participate in the new scheme.

Concurrently with the introduction of the new retirement system there should be certain changes and improvements in the existing scheme of government annuities administered by the Department of Labour.

This system should be developed and strengthened in order to encourage individuals, either singly or in groups, to purchase annuities which would supplement their retirement benefits. This program, which is directed towards the

lower-income groups, and which is heavily subsidized by the Dominion, might well be recognized as primarily a welfare measure. It would be logical to transfer it to the Department of National Health and Welfare to be administered as part of the total program of old age security, in close conjunction with retirement benefits. Detailed suggestions for improvement of this system, should be given further consideration.

The main items of a retirement plan have been sketched rather boldly and sharply in the preceding pages, in order to pose for consideration a plan which is internally consistent and complete. However, many of the detailed suggestions made are arguable and a great deal of careful work would have to be done to decide upon the validity of each of them, even assuming that the general plan was satisfactory. It will be useful at this point to give some of the reasoning which lies behind the major points.

1. *The benefit scale.*

A primary benefit of $40 per month has been suggested as the least amount which is compatible with the principle of basic maintenance. Figures are available to show the cost of basic maintenance budget for a single person in Toronto, as of August 1947, to have been about $50 per month. In the absence of good comparative data for the other large cities, for the towns, and for the rural countryside, it is impossible to say with assurance what the cost would be elsewhere. An informed guess would suggest that the costs are about the same in Toronto as in other large cities, such as Halifax, Quebec, Vancouver, Hamilton, Ottawa and Windsor; that they are somewhat less in the smaller towns and cities; and that they are materially lower in the villages and the country districts. The rent factor is the great variable. It seems probable that the $40 figure would cover or approach basic maintenance costs for one-third to one-half of the population in the rural districts and smaller towns, while it would be insufficient for the remaining half or more of the population. Whatever figure is taken there will be difficulties in finding one which is fair for both the urban and rural districts. Perhaps the best that can be done with flat-rate benefits is to fix a rate which lies between the costs of maintenance in the high and the low cost communities and from this point of view the $40 benefit is scarcely fair.

The most important argument for keeping the rate so low has been the very high total costs of the scheme and the desirability of keeping within reasonable limits the scale of individual contributions and the burden upon the Dominion treasury. Another argument in favour of the $40 figure is that it has been recognized (rightly or wrongly) as a reasonable allowance for old age pensioners under the prevailing means-test schemes in the various provinces.

One possible method of avoiding the problem of difference in living costs from city to country would be to offer benefits varied in accordance with cost-of-living indices. This idea has been considered and discarded as not practicable. Appropriate cost-of-living indices to show urban-rural differentials are not available at the present time and it would be very difficult to construct them. Moreover the administrative difficulties of adjusting benefits for individuals in accordance with their place of residence would be very great. Another suggestion, which was discarded, was the idea of granting basic benefits to cover all items other than rent, and then adding a supplemental rental allowance which would be a variable amount depending upon a place of residence. Sir William Beveridge considered very seriously the same possibility for Great Britain but concluded that "the balance of argument in the end appears to be against the proposal." (1)

However, when all of these points have been made the fact remains that the $40 primary benefit will almost certainly be insufficient, at the prices prevailing

(1) *Social Insurance and Allied Services*, p. 83. However, these ideas may be pursued further. Additional study, the development of better statistical data, and experience in administration may show that it is feasible to implement these ideas some time in the future.

in 1947, to meet basic maintenance costs for single persons living in those cities which contain about half of the population. Living costs are still rising, and on the basis of later information even the $40 figure may have to be raised. A rate of $45 would therefore appear to be worthy of very careful consideration if the retirement benefit program should be put into effect in 1948 or 1949 and living costs are near or somewhat above the present level. Further research on the problem of living costs is indispensable to provide a really good guide to the level at which the primary benefit should be placed.

A very important part of the plan recommended here is that the benefit scale should be varied from time to time in accordance with changes in the cost of living. This might be done annually on the basis of cost-of-living indices. The adoption of such a policy would have the obvious advantage of protecting the interests of beneficiaries in periods of rising costs and of protecting the Dominion treasury in periods of declining costs. Moreover revenues from individual contributions may be expected to vary with changes in national income (which are related to price level variations), so that periodic adjustment of benefits will make for a somewhat balanced relationship between costs and contributions.

The recommendations regarding amount of benefit for wives and children deserve special consideration. Evidence is available to show that the addition of a wife increases basic maintenance costs by one-half the amount required for a single person and that the addition of children to the household of two adults further increases costs by about one-third per child, on the average. Thus the wife's benefit may be set at 50 per cent of the primary benefit. But the factor of family allowances must be considered in determining the size of the child's benefit. Since the average additional cost per child to the two-adult household is about $18 per month at the basic maintenance level and since family allowances amount to about $6 per month on the average, it seems reasonable to allow approximately $12 to be made up by the children's benefit. This is roughly 25 per cent of the basic maintenance figure of $50.48 for a single person in Toronto in 1947. Hence it has been argued that the children's benefit be set at 25 per cent of the primary rate.

A child's benefit has been suggested in connection with the retirement scheme because a certain number of children are normally dependent upon old people, (notably grandchildren and the children of comparatively young wives of older men).

The rates for those claiming benefits from age 65 to 69 have been graduated so as to make them approximately equal in value to the $40 rate for those aged 70 or more. In effect the total value of the anticipated benefits for the person retiring at 65 will be no greater than for a person retiring at 70. The younger beneficiary will receive a lower amount per month until death but he may expect to remain on benefit for a longer period. Thus there is no financial advantage given to early retirement. On the other hand, the scheme should offer considerable incentive for a substantial number of elderly people to continue at work until 70, or alternatively not to claim benefits until that age, so that they may obtain the higher monthly rate.

The graduated system of benefits should offer to individuals a range of choice over a period of five years as to when they would retire. Persons with homes of their own, with savings, or with assurance of privately purchased annuities or group pensions who would have sufficient resources in total for their old age, would no doubt choose in substantial numbers to retire at 65 or soon after. On the other hand, persons without these additional resources would be more inclined to delay retirement until they could qualify for the larger benefits.

Of course individual choice on this matter would be affected very much by the general level of employment. In a period of depression many older workers would be forced to retire and to claim benefits at the earlier ages and the lower

rates after a comparatively brief period of reliance on unemployment insurance. But in period of full employment the element of choice for the individual would be very much greater.

Another important factor affecting choice of age of retirement is the employment policy of business enterprises. Firms which refuse to hire older men and women and which discharge their older workers, contribute seriously to the problem of economic insecurity for the aged. Together with social security provisions to discourage premature retirement there should be other public measures to encourage the employment of older workers. If these become effective the individual will have much greater freedom of choice as to when he should retire.

This whole question of graduated retirement benefits is difficult and it should be given much further study. The scale of benefits outlined here is submitted for consideration with considerable diffidence. It is to be hoped that further study will lead to revisions which will give those retiring between ages 65 and 69 more adequate benefits, without destroying the incentive to remain at work which the proposed plan offers.

2. *Supplementation of Benefits.*

It is submitted that the plan which has been outlined will provide a very large measure of protection for the aged, although the proposed benefit scale is low, even for those aged 70 and over. The great majority of beneficiaries will certainly have other resources incidental to home ownership, savings, satisfactory arrangements (as in the case of farm people) for living with sons or daughters, or annuities or private pensions; and when a national system of medical care is in operation their needs for medical care will be fully met. Therefore there should only be a minority of the total group who will require supplementary assistance from public sources.

However there will certainly be some need for supplementation. In a period such as the present, when satisfactory housing is very scarce and very costly, there are some who would need additional grants to cover rent. In times of depression a fair number of the group in receipt of benefits less than the maximum rate (particularly those in the larger cities) will require supplementary public aid. Occasional supplementation will be necessary for some who lose household equipment or clothing because of fire or other circumstances. Travel from one part of the country to another to seek more satisfactory living arrangements may call for supplementary payments for some. Special assistance to meet medical costs will be very commonly required by those who live in provinces without general schemes of medical care. No social insurance scheme can hope to cover all the contingencies of economic need. Therefore it is essential that there be provision for the supplementation of retirement benefits in an orderly way.

A joint Dominion-Provincial public assistance program should be designed to cover this point. Old people in need should be able to obtain supplementary aid from the provincial and local authorities on a means-test basis. Under the plan suggested here any province which desires to operate a categorical system of "Old Age Assistance" to supplement the national retirement scheme may do so, and may obtain federal public assistance grants towards the scheme if its total public assistance expenditures go beyond a certain point. Alternatively a province may arrange for supplementation through its general assistance program.

It is difficult to predict the extent of supplementation that would be necessary. Some may feel that it would be very substantial. With this view the writer does not agree. Under the prevailing means-test scheme, which is quite broad in coverage, 39·39 per cent of those persons aged 70 and over were in receipt of old age pensions during the year ending March 31, 1947, at an average monthly rate of \$21.03.[1] These persons would benefit enormously from the proposed

[1] Canada Year Book 1947 "Welfare Services" (reprint) p. 28.

scheme and all but a few would surely be able to live without seeking supplementary aid. Those who are now in the 65 to 69 age group and who are not working would be in a far better position than at present, for only a limited number of them are now able to obtain public assistance. The great majority would also be in a much better position at age 70 than under the present system and would probably find it unnecessary to seek supplementary aid. However, these are only expressions of opinion. Further study should yield data upon which a better judgment can be based.

In short, the writer believes that the scheme outlined here, with very modest benefits, would probably reduce the means-test element in old age security to limited proportions. With a more generous benefit scale based upon a primary figure of $45 or $50, which should be established as soon as financial arrangements can be made, and perhaps with more favourable rates for those retiring from ages 65 to 69 the means-test element might be reduced to very little. The proposed plan goes a very long way towards implementation of the "limited-use-of-means-test" principle; and with some extension and refinement it should implement the principle fully.

3. *Coverage and eligibility*

The scheme has been designed to cover practically the whole population. However, there would have to be a few limitations to eligibility for benefits. For one thing, it would be reasonable to exclude old people recently arrived in Canada, who perhaps come to this country to retire, who may already have pensions or other resources and who have certainly not contributed, as Canadian workers and taxpayers, to the scheme. It has been suggested, arbitrarily, that there should be a ten-year residence rule to deal with this problem. This rule might be amended by virtue of agreements to be made in the future with Great Britain, the United States, Australia, New Zealand, and other countries, whereby there will be reciprocity in the provision of social security benefits with respect to persons moving from one country to another.

Retirement from gainful occupation has been suggested as one of the conditions of benefit, partly because this would operate to limit claims and partly because those persons who continue to work and earn will not generally be in need of pensions. The retirement rule is common in old age insurance systems. It was recommended by Sir William Beveridge in *Social Insurance and Allied Services* and has been approved by the International Labour Conference.[1]

There are certain old persons who do not require benefits because they are already protected by public policy, notably war pensioners, recipients of War Veterans' allowances and inmates of mental hospitals, prisons, and a few other public institutions. There should be no question about the exemption of those war veterans whose needs until death will be met by Dominion pensions. The case of recipients of War Veterans' allowances is somewhat different. They too are assured of grants on a means-test basis, which are presumably sufficient for subsistence in most cases. In effect this is a special scheme of old age and disability assistance for war veterans, entirely financed and administered by the Dominion government. Rather than exempt this group from the retirement system it might be better to include them and either to abolish War Veterans' allowances entirely or to revise the system very considerably. If this group were included under the retirement program total costs would rise somewhat which would call for larger contributions by the Dominion. But these increased charges would be offset largely or completely by the reduction of federal expenditures on War Veterans' allowances.

Inmates of mental hospitals and prisons obviously do not require benefits. But there is nevertheless some argument for benefits to be granted to them and

[1] *Social Security: Principles and Problems Arising out of the War*, p. 43.

then to be paid over to the institutions, Dominion, provincial or local, in which they are maintained. This argument is particularly applicable to the largest group of institutional inmates over 65 years of age, those in provincial mental hospitals, and consideration might be given to the inclusion of this group. But the case against their inclusion is fairly strong, particularly when it is proposed, as part of the total program outlined in this report, that the Dominion should offer substantial grants to the provinces to assist them with their mental hospitals.

It seems that reserve Indians and Eskimos should be excluded from the scheme because cash benefits probably do not represent the best means of protecting them in their old age. The problem of working out suitable welfare provisions for the Indians is one which should receive special attention.[1]

Eligibility for benefits should be related directly to contributions. The detailed suggestions made here are designed to implement this principle and at the same time to permit immediate application of the retirement system. Actually the principle will only be implemented for those persons under 65 years of age at the inception of the scheme. Those over 65 years will be eligible for benefits immediately, without having made any prior payments. However, they will be liable for contributions on a percentage basis if their total income from benefits and other sources goes above the income exemption limits specified above; or alternatively, provincial governments will be required to make the minimum contribution on their behalf.

Limitation of the contribution requirement to 20 years is frankly arbitrary. Perhaps it should be longer. One reason for setting it at this level is to make it possible for a good many women to qualify for primary benefits although they may be married and living with their husbands at age 65. It seems reasonable that women who have spent a good part of their lives in gainful employment and therefore have been compelled to contribute to the system should be entitled to primary benefit rather than to the lower wife's benefit when they reach 65 years of age.

An alternative to immediate application of the scheme would be gradual application. This might be achieved by making benefits available only to persons who have contributed for a certain number of years, possibly five. This would mean that those persons 65 years of age at the inception of the scheme would become eligible to claim the $40 primary benefit at age 70, while those who were 60 years of age at the inception would be able to claim the lower primary benefit five years later, when they reach 65 years. If this policy were adopted, the present old age pension system would have to be continued for five years.

Immediate application is recommended here, because it seems to have many advantages over the alternative of gradual application. It would cover virtually the whole aged population immediately, thus making the present inequitable means-test scheme unnecessary. Moreover, it would incorporate at once, logically and completely, the pay-as-you-go principle of financing which is considered desirable, without raising any problems regarding reserve funds. But on the other hand it would be more costly at the outset to the Dominion government, and it would no doubt pose somewhat more difficult administrative problems.

4. *Contributions*

Individual contributions would be related to capacity to pay, with upper and lower limits. The figures for exempt income ($600 for a single person, $900 for a married person and $150 for each child dependent) are based upon and

[1] *The report of the Special Joint Committee of the Senate and the House of Commons appointed to examine The Indian Act* recommends that Indians should become eligible for old age pensions but also points out the need for a variety of other health and welfare services.

represent essentially the cost of the basic maintenance standard of living in Toronto in 1947, taking into account family allowances in the case of children. The exemption of such amounts of income from the levy of five per cent protects those persons who have resources only sufficient for subsistence from any obligation to contribute. It is submitted that such an approach to contributions is much more equitable and socially desirable than the common social insurance or private pension device of levying a charge upon gross income without reference to the adequacy of this income to cover elementary needs for family maintenance.

The minimum rate of $15 has been fixed arbitrarily. Some minimum is desirable to simplify the administration of collections, to provide a flat figure of contribution by the provincial governments, and to guarantee a reasonable amount of revenue in respect of the low-income group and the non-income receivers. Of course the $15 figure will represent a regressive charge upon the low-income group. But it is impossible to avoid some degree of regression at this point, unless the idea of the minimum contribution is discarded entirely.

The maximum of $100 has been fixed with the idea of protecting virtually all contributors against retirement payments greater in total value than their prospective benefits. It is important to note how the maximum of $100 has been determined. It would require annual payments of about $96, compounded at 2½ per cent annually over a period of 40 years, to provide for annuities equal in value to the primary benefit of $40 and the wife's benefit of $20 which have been proposed. Only those persons with annual incomes of $2,600 or more will be required to pay as much as $100 a year in contributions. It may be presumed that only a small fraction of all contributors would pay at this rate for 40 years or more. Therefore in the case of the very great majority of contributors (even including the upper business and professional groups with gross incomes of $5,000 or more during a good part of their lives) total contributions will yield less than the value of prospective benefits, presuming (the normal expectation) that they have wives living at age 65.

Of course it is possible that a few of the contributors, such as single professional women with good earnings for 35 or 40 years, professional and business men who begin their careers early, at good earnings and who work without interruption, and persons with good unearned incomes from youth, will pay into the scheme more than the probable value of their benefits. But it seems impossible to guard against this eventuality for the few without cutting down the maximum to such an extent that it would limit seriously the revenues of the scheme.

The problem to be faced here is one which is intrinsic in social insurance. It is difficult or impossible to apply the general rule of private insurance that prospective benefits should be related neatly to contributions. At the same time it is desirable to avoid charging the individual more than the probable value of the service he will receive. Some kind of compromise involving arbitrary judgment is necessary to reconcile these rival considerations. To quote an international authority, "the relations between income and expenditure which arise from individual policies do not constitute a sufficient mechanism to enable social insurance to achieve its proper ends. Yet it may happen that reference is made to the premium that the insured person would have had to pay in order to acquire the same rights as those guaranteed by the social insurance scheme; for example it is sometimes held indispensable that the contribution should not exceed this premium, and it is often considered sufficient that the difference between the two should not be great."(1)

Because of the very substantial Dominion government contribution which is proposed, those in the upper income group will actually pay more than $100

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(1) Lucien Feraud, "Introduction to Financial Problems of Social Insurance", *International Labour Review,* July 1938, p. 7.

per year towards the retirement benefits system. They will have to contribute through income tax to the Dominion's share of the total cost. It may be argued, therefore, that it does not matter too much if some of them pay somewhat more than the value of their own prospective benefits through the social security levy. But it seems very important to keep separated, as sharply as possible, the social security contributions by prosperous people and their general income taxes. If the two elements are mixed there is grave danger that the values of relating contributions to benefits, which are stressed in this report, may be substantially lost.

Further work on the technical problem of the maximum rate, with good actuarial advice, should be undertaken to provide a better basis for final decision.

The minimum and the maximum contributions and the five per cent rate are designed to raise approximately half of the total revenues. The percentage rate might be set higher in order to obtain larger revenues directly from contributors. But there is considerable question about the willingness of wage earners, farmers, and other income-receivers to pay more at present. However, the rate might be increased later as the Canadian population became more accustomed to a contributory system of social security.

It should be noted that there is a great distinction between the five per cent rate suggested here, to be levied only on income over certain exempt amounts, and the common five per cent rate on gross incomes which many wage-earneres are accustomed to pay under private pension plans. Available statistics show that in 1946 nearly one-half of all Canadian income-receivers had incomes ranging from $1,000 to $2,500. The following examples will show the incidence of the proposed retirement charges upon typical contributors in this middle income range.

Contributor		Gross Income	Assessable Income	Retirement Contribution	Percentage of Gross Income
		$	$	$	
Single person	A	1,000	400	20	2·00
	B	2,000	1,400	70	3·50
Married person	A	1,500	600	30	2·00
	B	2,000	1,100	55	2·75
Married person, two children	A	1,800	600	30	1·67
	B	2,400	1,200	60	2·50
	C	3,000	1,800	90	3·00
	D	3,600	2,400	100	2·78

From these figures it appears that, for most people in the middle income group, the amount of gross income to be contributed will be two or three per cent. It may be noted, by way of comparison, that the original plan for the financing of the old age and survivors' insurance provisions of the Social Security Act of the United States called for contributions on gross income from wage-earners amounting to three per cent, with a like amount from employers.

Collection of individual contributions by means of the Dominion Income Tax machinery does not appear to pose any insuperable problems, although the exemptions for purposes of determining assessable income will be different from those of ordinary income tax. An additional simple schedule on the income tax form would be necessary; and some arrangements could no doubt be made for deductions at the source, along with income tax, in the case of wage and salaried employees. Various technical details would have to be worked out to fit the collection system into the general pattern of income tax administration.

The Dominion Income Tax Branch would have to handle a much larger volume of returns than at present because of the low limits of assessable income proposed for retirement contributions and this might call for considerable expansion of administrative machinery.

The proposal that the provincial governments should make contributions in respect of the low-income group and the non-income receivers has been made for several reasons. If contributions are to be related to benefits there should be provision for individual payments in respect of persons below the assessable income limits. The provincial governments are the logical bodies to make such payments because they are now and they will continue to be together with their local governments, responsible for public assistance. Contributions in respect of persons unable to make their own payments may properly be considered expenditures on public assistance, even though many of the persons who do not pay will not be recipients of the usual forms of public aid.

The proposed provincial contribution is further justified because the retirement program will relieve the provinces very largely of their present obligations for old age pensions, which amounted to about $19,128,000 in 1945. On the assumption that the provinces, since negotiation of the tax agreements, are able to carry their present obligations for health and welfare without serious difficulty, it is appropriate to seek some financial support from them towards the retirement system when they are relieved of the costs of old age pensions.

However, the provinces should not have new obligations imposed on them which they would find difficult to meet. Although their payment to the retirement scheme in respect of low-income and needy persons would be much larger under conditions of economic depression than at present, the system of public assistance grants which is proposed would protect them from unreasonably high contribution. This system of grants, or something akin to it, is a necessary corollary to the plan of provincial contributions which is proposed here.

It is difficult to estimate the number of persons for whom the provincial governments would have to pay. Probably a substantial number of those below the assessable income limits would actually find the money for their own payments in preference to making the necessary declarations and offering proof that their resources were to small. One might expect a good many of the farming population to take this line.

Administrative arrangements for the provincial contribution should not be difficult, particularly if a general system of public assistance is established throughout the country, under the stimulation of Dominion grants as proposed. The local public welfare department or the provincial district office of public welfare would be the appropriate agency to which the individual without proper income would go to make a declaration of inability to pay. These offices, with their facilities for investigation of individual resources, would be in a position to check upon the individual's declaration and to certify him for provincial contribution. In the case of many persons in receipt of public assistance such certification could be given automatically on the basis of records currently maintained for eligibility determination.

There would be, both for the individual and the provincial governments, a positive inducement to comply with the rules regarding contributions. The individual would know that his eligibility for benefits would be destroyed, or impaired, if his contribution is not made in any year either by himself or by the province. The provincial government would recognize that if it did not make contributions for any of the persons for whom it was responsible it might have to provide public assistance for them when they reached age 65. With these positive inducements, both to the individual and the province, evasion of contributions for those in the low-income and the non-income groups should be kept to a very low level.

There is, however, a possible alternative to the system of provincial contribution. If for a variety of reasons, financial and otherwise, it does not seem expedient to assess part of the retirement charges against the provinces all persons below the assessable income limits might be exempted from contributions. They might be given eligibility credits simply by filing with the Dominion income tax authorities, or possibly with the provincial or local welfare agencies, declarations of inability to pay which, after investigation, were proven to be correct.

The Dominion contribution to the scheme from general tax funds would vary from time to time, depending upon the amounts collected from individuals and from the provinces. The estimated Dominion contribution for 1948 would be about $158.6 million or a little less than 50 per cent of total costs of $320.1 million. The scheme should limit the Dominion obligation to not more than half the total costs for all periods except depression periods.

5. *Administration.*

The case for a complete national system of retirement benefits is very strong. For if the system were only in effect in some provinces there would be a number of awkward problems. But a national scheme would probably call for a change in the British North America Act to authorize Dominion legislation. It is strongly urged that the most serious effort be made to obtain such an amendment. It is submitted that there will probably be no objection from any of the provinces, with the possible exception of Quebec, to an amendment, similar to the one of 1940 upgrading unemployment insurance.

But if the Dominion government is unwilling to proceed with the amendment recommended here, the retirement benefit system might be established in those provinces which agree to accept the alternative plan of a Dominion act followed by provincial enabling legislation. The Dominion act would contain essentially the provisions which have been outlined above for a complete national system, including individual payments to be collected by the Income Tax branch, provincial contributions, and Dominion administration. The participating provinces would then be required to pass legislation to authorize charges upon their residents and provincial contributions and to delegate administrative responsibility to the Dominion. Separate retirement funds might be established for each province, out of which benefits would be paid to the residents of that province. The Dominion grants to each of these provincial funds would vary in amount on a beneficiary or per-capita-of-population basis to make up the deficit between the costs of benefits and the yield of the retirement levy within each province. Thus the Dominion's share might considerably exceed half the costs of the scheme for some provinces with low returns from individual contributions while it might be less than half for others.

If such a scheme were to be worked out only for the seven provinces which have signed tax agreements it would impose some injustice upon contributors, for a person might move from a province where he had contributed for a number of years to a non-participating province,—notably Ontario or Quebec. In one case, where he had made enough contributions, he might still draw benefits from his original province, although he lived elsewhere. In the other case, when his contributions history did not entitle him to benefits, he would be the loser, unless some special provisions to protect his interests could be worked out.

Administrative machinery for the system, whether it covers the whole country or whether it is in effect only in some provinces, is already available through the regional offices of the Department of National Health and Welfare. The operation of the retirement system would be similar in many respects to the administration of family allowances, so that it might be handled by the same provincial offices, with appropriate expansion of staff and facilities. The proposed scheme of survivors' benefits which is outlined below would be administered in the same way.

It would be necessary for the Dominion to maintain a central register to show the annual contributions of individuals—or "insured persons." This record would be kept up to date annually on the basis of reports from the Income Tax Branch and would represent a relatively simple mass operation.

The administration of the system should be comparatively simple and it should not be very expensive. No effort has been made here to calculate administrative costs, which would be borne by the Dominion.

A possible alternative to Dominion operation of a retirement program established on a province-by-province basis would be to turn over administration to the provincial authorities. Technically, there is probably no reason why this could not be done. Administration costs might be assumed jointly by the Dominion and the provinces, with the Dominion laying down standards with which each province would have to comply. There would be required reciprocal arrangements regarding eligibility for persons from all participating provinces.

But this alternative is one to be considered only as a last resort. The establishment in this manner of a series of provincial retirement systems would create vested interests which might stand in the way of the emergence, at a later date, of a nationally operated program.[1] Moreover, the various provinces would have only a limited financial interest in the scheme, and there might be some temptation for them to be unduly generous, or even lax, in their administration of a program whose deficits would be made up by grants from the Dominion treasury.

6. *Costs*

The estimated costs of the retirement system, the prospective revenues from individual contributors, the provincial payments, and the contributions from the Consolidated Revenue Fund are shown below for 1948 and three later years.

—	1948	1951	1961	1971
	($ Million)			
Total costs	320·1	327·8	365·9	420·7
Individual Contributions	136·8	143·8	161·5	177·5
Provincial Contributions	24·7	25·9	29·1	32·0
Dominion Contributions	158·6	158·1	175·3	211·2

The chief uncertain factor in the cost estimates has to do with the number of persons who may retire and claim benefits prior to age 70. The formula which has been used to estimate graduated retirements assumes that 40% will retire at 65, 30% between 65 and 70, and 30% at 70.

The revenue figures have been calculated on what is considered to be a conservative basis. Assuming that 1948 is another year of full employment and high incomes, the revenue estimates are probably quite conservative, for they are based upon income tax returns for 1946. Indeed there is good reason to believe that if incomes remain as high as they are at present the revenues from individual contributions would considerably exceed the estimates, which would mean that the Dominion and provincial obligations would be substantially less.

On the whole it is believed that the cost and revenue figures are conservative in that the cost estimates are close to the probable upper limits of expenditure, while the revenue estimates are on the low side.

[1] As in the case of unemployment compensation in the United States.

As the figures indicate, the retirement scheme will be expensive. It would cost substantially more than the Green Book plan at the outset, as the following comparative estimates shows:

	1948	1951	1961	1971
	($ Million)			
Green Book plan(1)	240·0	264·0	349·0	420·0
Revised plan	320·1	327·8	365·9	420·7

(1)These totals include the provincial share for means-test pensions, $20 million in 1948, rising to $35 million in 1971.

However, it is to be noted that costs would increase less rapidly under the revised plan than under that of the Green Book and would be about the same from 1961 to 1971. The graded system of retirements makes for lower costs in the latter years than the system of flat rate benefits for those over 70, because a good many persons who retire at the earlier ages will receive less than the maximum rate of benefit until death.

A further point is that no conceivable scheme of retirement benefits which affords reasonable protection for the mass of the population is going to be cheap. Schemes which would provide generous flat rate benefits to all men over 65 and to all women over 60, such as have been proposed by various groups and individuals, would involve costs mounting to astronomical figures after 25 or 30 years, as the age composition of the population moves rapidly upwards. The scheme which has been outlined here may appear at first sight to be very expensive; but it is certainly less costly than most alternative plans which have been proposed or which may be conceived by staunch advocates of old age security.

SURVIVORS' BENEFITS

A closely related scheme, which is badly needed in Canada, is one of survivors' benefits. The premature death of the father of a young family has often left his wife and young children in a position of acute economic need. The great majority of wage earners and farmers are in no position to carry enough commercial life insurance to give adequate protection to their wives and children. Usually the widow cannot leave her home duties in order to earn enough to support her family. It is most undesirable for the older children to be forced into employment before they have spent a reasonable period in school. Usually the wife's parents, or parents-in-law, are unwilling or unable to assume responsibility for the family; and even if they are, the arrangements which are made are often difficult and distasteful on both sides.

It is clear that good social policy calls for a system of social protection for widows and their children. Thus far in Canada we have relied chiefly upon the means-test programs of mothers' allowances, which are now in effect in all provinces except Prince Edward Island. In 1941 there were roughly 45,000 widows with children under 16 years of age and the number is presumably somewhat higher at present, even without taking the war widows into account. In 1946 there were nearly 30,000 families, (mainly headed by widows) which received mothers' allowances in the eight provinces other than Prince Edward Island. It may be deduced from this that from one-half to two-thirds of the widows with children under 16 years of age are now left destitute or nearly destitute on the death of their husbands so that they have to apply for public assistance on a means-test basis.

The present schemes of mothers' allowances do not comply with the principles of social security which were stated in Part 2. A contributory scheme of survivors' benefits, to be operated by the federal government and covering the whole population, would be a much more effective method of implementing these principles and it is submitted that such a scheme should be added to the national social security plan. It would be closely related to the retirement benefit system and would have many characteristics in common with it. Details are outlined below:—

1. *Benefits*

These would be of two classes, Primary and Children's, and would be payable as of right to all eligible persons without means test. The suggested rate of primary benefit, based on the 1947 cost of living, is $40 per month; and the children's benefit would be one-quarter of this amount, or $10 per month.[1] The children's benefit would be payable in respect of children up to 16 years of age or up to 18 years if in school, who are dependent upon the primary beneficiary.

Rates of benefit should be adjusted periodically in accordance with changes in the cost of living.

2. *Eligibility*

Primary benefits should be payable to all women who—

(*a*) Are widows with dependent children under 16 years of age or under 18 years if in school;

(*b*) Are not protected by virtue of public policy, such as war pensioners and inmates of certain public institutions;

(*c*) Are not Indians on reserve or Eskimos;

(*d*) Have had contributions paid to the social security fund by themselves or their husbands or provincial governments for at least one year immediately preceding the claim for benefit, this rule to come into effect one year after the inception of the scheme.

3. *Finances*

The scheme would be financed by means of contributions from individuals, provincial governments, and the Dominion, in the same way as the proposed system of retirement benefits. Individual contributions would be payable at the rate of one per cent of income above the same exemption limits proposed for the retirement system, with a minimum annual contribution of $3 per contributor and a maximum of $20. Provincial governments would contribute in respect of all heads of families or single persons below the assessable income limits and the Dominion government would meet the remainder of the costs from the Consolidated Revenue Fund.

4. *Administration*

This also should be a national system, administered by the regional offices of the Department of National Health and Welfare. There is the same constitutional problem here as in the case of retirement benefits. In the absence of a constitutional amendment to permit a Dominion system, the same device might be employed as has been proposed in the case of the retirement plan—to work out agreements province by province for the scheme to be authorized by provincial legislation.

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[1] As in the case of the retirement system, a primary rate of $45 would be more adequate in the light of the cost-of-living data available and it should be seriously considered. However, it is to be noted that the proposed rates are more generous than the mothers' allowances rates generally in effect in the provinces at present.

The details of this scheme have been outlined very sketchily. More consideration should be given to a number of specific questions. For instance, the eligible group might be extended to include women who are divorced or separated from their husbands and those whose husbands are unable to support them because of permanent or long term disability or commitment to a mental institution or prison. Likewise guardians of children other than their mothers might be made eligible for benefits. Probably benefits should be payable to orphans. They might also be payable under certain conditions to unmarried mothers. These are questions of a type which have had to be faced in connection with mothers' allowances legislation and the experience of the provinces in this field will be useful for further planning.

So far as individual contributions are concerned the problems are similar to those which have been discussed in connection with retirement benefits. The proposed system of provincial government payments should keep the whole population currently insured. The maximum limit of $20 per annum is frankly arbitrary. It is at the same rate as the one proposed for retirement and medical care contributions. Contributors such as single women beyond child-bearing age and men in the older age groups will have little or no expectation of advantages from this system; but it may be argued that their contributions should be pooled with those of others for the protection of the children.

The introduction of the survivors' plan would make possible the immediate abolition of the system of mothers' allowances—although a province might, if it so desired, carry on its system for purposes of supplementation. But on the whole it would seem best for supplementation to be handled by the general programs of public assistance which should be established everywhere.

5. *Costs*

A rough estimate of the costs of survivors' benefits suggests that the cost would be about $37·5 million for 1948. Contributions from individuals and the provincial governments might be expected, to yield about $32·3 million. These costs and revenue estimates are both rough and very much subject to amendment after further study. But they are clear enough and conservative enough to suggest that the costs of the scheme to the Dominion would not be great, perhaps only $5,000,000 or so annually in the immediate future.

CONCLUSION

It is submitted that the plans which have been advanced in the preceding pages for retirement and survivors' benefits would be more in conformity with sound principles of social security than the Green Book proposals of 1945. The retirement scheme would offer benefits which are much closer to a basic maintenance level for the mass of recipients than the $30 per month proposed in the Green Book. The two new systems would make possible the abolition of the present means-test programs for the aged and for widows. The retirement system should offer reasonable protection for the great bulk of the aged. For the remainder, supplementation to the extent necessary would be available through special provincial schemes or through general public assistance.

The system of individual contributions would not lay an unfair or a heavy burden upon the contributors. Those who are now below the minimum income level would be totally exempt from contributions and others would pay in proportion to their means but not beyond certain amounts. The contribution would not represent much or any additional expense for numerous contributors. In the case of some it would appear expedient, if the new system came into effect, to contribute less to industrial pension plans, or to the purchase of annuities, than they are now doing. At the same time, others whose pension rights under private pension funds are not very extensive would probably

welcome very much the assurance of a sharp increase in their retirement allowances which this plan promises. Those in the middle as well as in the lower income groups will profit greatly from the scheme.

The advantages of the proposed plan of survivors' benefits are probably even greater. It should be most welcome to married people with young families. In effect it will give to every husband a substantial life insurance policy far beyond the value of those which most wage earners or farmers are now carrying. Such persons may either reduce the amount of their life insurance payments or they may continue to carry as much insurance as at present in order to provide additional protection for their wives and children.

The costs of both schemes are high. But in the light of the social advantages which they offer and of the productive capacity of the country it is submitted that they are not excessive. If the plans are properly presented to the people of Canada they should be acceptable and popular.

(*End of Written Statement*)

The WITNESS: It was an attempt to implement the principles outlined here. Let us say rather that it merely represents one attempt to implement the principles of a contributory system and at the same time to avoid the complexities of the American scheme. I do not like the United States scheme. I have seen it in operation over a number of years and I do not like it. It is far too complex, I think. Here is a plan designed to get the age of eligibility down to 65 for some people without throwing too big a financial burden upon the economy as would be the case with a flat rate benefit down to 65; and also to encourage later retirement. This was all worked out very hastily. We did it within a very limited amount of time and tried to produce a detailed outline of a social security plan which would embrace the principles which we have been discussing here this morning. I thought perhaps I should mention that that is all my draft plan is supposed to be; something concrete as a basis for discussion and criticism.

The scheme is one which will permit of the retirement of men at the age of 65 and of women at the age of 60. I think it has become a pretty generally recognized fact that women reach the age when they need retirement benefits earlier than is the case with men, and that is why in this material we suggest bringing the benefit as a matter of right down to age 65 for men and age 60 for women in certain cases where the need becomes clearly apparent. If we were not to restrict it in that respect the figures with regard to benefits would become astronomical in size within a certain period of time. I know the difficulty in moving down to that point, but I do submit, sir, that we have to recognize that there are certain persons in the 65 to 70 group who do need the benefit, without any question. For example, there were the kind of persons referred to in the brief of the Canadian Welfare Council, those who are physically handicapped; and there would be perhaps the odd case of the grandmother with a child left in her care with the result that she cannot go out and do any work. So, with respect to persons of that kind, I think it is possible perhaps to permit the retirement benefit to begin at age 65, but that would apply only to certain specific categories of people, those who for obvious reasons could not be expected to be in the labour market. If we do that, sir, I should think the cost of the benefit for such persons between the ages of 65 and 70 could be kept within manageable proportions.

Mr. FERRIE: Would you be willing to take in the crippled and the invalid?

The WITNESS: Very definitely, that group should be included on the grounds that they could not be expected to get employment through which to take care of themselves, so that they would have to be maintained by society for the remainder of their living days.

Hon. Mrs. FALLIS: You mentioned a pension of 65 for men and 60 for women, do you not think it would also be advisable to have an age distinction of, let us say, 70 years for men and 65 for women?

The WITNESS: Yes, I would think that might be done. The same principle I think would apply. I used the figure 60 here because one finds many cases of that kind which require to be dealt with, since there are many special conditions arising in connection with women that do not apply to men. Also, I think that women generally, I am speaking of single women, retire from active work earlier than men do.

Hon. Mrs. FALLIS: Would you assume then that the same principle should apply to the retirement of women at an earlier age?

The WITNESS: Yes, I think I would support such a differential in retirement benefit age.

The CHAIRMAN: That would involve a health test, and that is something which it is very difficult to apply, is it not?

The WITNESS: It is not easy, Mr. Chairman, but I do not think it is at all impossible. I think we are doing it already in a good many ways. We are doing it in the province of Ontario, for example, specifically with regard to eligibility for general relief. Now, it is very difficult to do it at that particular point, but in the case of older people I do not think it is at all impossible. It is being done in connection with war veterans allowances. In the United States the Government Advisory Council on Social Security about two years ago recommended a national system of disability insurance. After most careful consideration that group came to the conclusion that the scheme was administratively feasible, just as it has been shown to be in the case of war veterans benefits. We have done it. I do not think we have done it too well or too successfully. I recognize that there are difficulties connected with it but I believe that it is quite feasible, with sound administration.

The CHAIRMAN: With sound administration?

The WITNESS: Yes.

The CHAIRMAN: There is always the danger of political play in it?

The WITNESS: Yes sir, there is a danger, yet it seems to me that we have in Canada gone a considerable distance now in most of the provinces away from hampering or detailed interference with social welfare administration.

The CHAIRMAN: In some provinces.

The WITNESS: Yes, I would say in most provinces.

The CHAIRMAN: I know of at least one at present.

Mr. BROWN: Are we going to submit questions to the witness at this point?

Mr. FLEMING: I think we had better let him finish his statement.

The CHAIRMAN: Perhaps I had better ask the witness whether he prefers that we should let him go ahead or whether we should question him as we go along.

The WITNESS: Just as you say, sir.

Mr. FLEMING: We had better let him finish his statement first.

The CHAIRMAN: All right, Dr. Cassidy, go ahead please.

The WITNESS: The second principle in this plan is that it should discourage premature or unnecessarily early retirement from gainful occupation. And you will see the devices which are employed here. I think you have already had evidence about the desirability of people working beyond the age of 65, and that a good many people like to keep on working in their later years.

The next point is that the system should be financed on a "pay-as-you-go basis" rather than on a reserve basis. I understand that your committee has had

representations to the effect that a social insurance program involves great reserve funds guaranteeing payments for persons who are eligible. Personally I do not agree with that and say it is better to pay as you go, to use that principle as indicated here.

The next principle is that there should be a national system of retirement benefits with dominion administration.

Next, the scheme should provide for a simple system of administration. I understand that the committee has gained the impression, perhaps—at least I have seen much discussion of it—that any contributory social insurance scheme involves a very complicated administration. I do not think that is necessary in a contributory social insurance plan of the right kind. It depends, again, on the kind of plan which you set up. This plan was designed to avoid the complex administration and I believe makes for a comparatively simple administration. I do not say it would be over-simplified, but I think it would be quite managable.

Now, benefits: Benefits would be of three classes—primary, dependent adult, and children's—by that I mean, husband, wife and child—and payable as of right to people without a means test, benefits to be based on the basic rate of $40 at age 70. We arrive at that $40 figure on the basis of the Toronto cost-of-living figures which I gave, and which you will recall worked out at $50 for a single person's basic maintenance; that being the amount required for maintenance of an individual in Toronto in August of 1947. But we thought that the cost of living would be somewhat less in the smaller towns and in the rural areas, and for that reason we deliberately put in a benefit figure which is somewhat under the minimum Toronto requirement for the maintenance of an individual. We did this arbitrarily to bet the benefit down to what we thought was a bare minimum yet reasonable figure compatible with basic maintenance requirements on the average throughout the country as a whole, and I might also say to conserve finances. A $45 figure, I would say would be more nearly what it should have been, frankly, to meet the universal basic maintenance requirement. Then we suggested that the scale of benefits might vary in amount for those aged 65 to 69, depending upon the year in which the individual retired and we calculated these amounts in terms more or less of the value actuarially of $40 at age 70, so that the person who retired at age 65, if he chose to do so, would get only $23.50; and if at age 66, he would get $26.50; and so on—the argument being that there would thus be an incentive for him to keep on working somewhat longer in order to get larger pension benefits, ranging up to $40 at age 70.

Thus the plan is designed to encourage late retirement; to keep people at work as long as possible; and to keep them contributing to the economy and thus lessening the charges upon the funds.

By the Chairman:

Q. I think the members of the committee would like you to enlarge upon what you called the retirement test, for the self-employed, for instance?—A. Yes. The retirement test proposed here would mean retirement from the ordinary gainful occupation of the individual. You are mentioning the self-employed and I would point out that they present one of the more difficult aspects of the thing. However, we do believe tests could be set up there to determine whether or not a person had actually given up his shop or his shoe repair business.

Q. What about his farm?—A. His farm was a different story. There would be more difficulty there, but we think also that there would be reasonable evidence. If he had the farm and the land, and was in physical good health and was carrying on, and if ownership was vested in him, then I think we would say he had not retired and therefore would not be eligible for the allowance.

I have discussed the primary benefit for the male and I perhaps could deal with the wife's benefit now. The wife's benefit would be one half of the husband's benefit, on the ground that as the table in the memorandum on principles showed

the cost of living figures indicate that it costs two persons living together, sharing accommodations, cooking together, and so forth, about one half as much again as for one person by himself.

A child's benefit would be 25 per cent of the primary benefit, on the ground that it costs about one-third of the cost of a male adult if a child is added to the family unit. However, we had to take family allowances into account so that the amount suggested for the child's benefit need only be 25 per cent. We deliberately brought in family units because a certain number of these people would have dependents—wives anyway, and a few of them would have dependent children—perhaps they might have grandchildren.

Contributions would come from individuals, from provincial governments, and from the dominion. The individual contributions would be the main source of revenue. There are certain persons and groups who would not contribute—war pensioners, recipients of war veterans allowance, and inmates of mental hospitals who are without income.

Others persons would be required to make contributions in order to receive these benefits at the rate of 5 per cent on that portion of income above a certain exemption limit such as $600 for a single person, $900 for a married person, and $150 for each dependent child—this being calculated on the basis of the Toronto minimum living costs figure which we have mentioned. In other words, if you had an income above the Toronto welfare budget you would have to contribute a portion of your income—by means of the 5 per cent contribution with a minimum of $15 a year and a maximum of $100. Collections, we suggest, would be handled by the income tax branch through the regular machinery with arrangements for deduction at the source in the case of the wage earners, with provision for annual settlements of balances due.

We thought the machinery was there and could be employed. Quite obviously, since exemptions have been raised in the last couple of years, it would be necessary to go way down below the present income tax paying group. We have evidence from the success in wartime, in getting well below the present levels, and from the Australian system, that this can be done although actually we did not check carefully on administrative problems with the income tax branch.

Then we have this suggestion, which I think quite frankly is somewhat debatable, in retrospect, that the provincial governments might be asked to make a $15 contribution is respect of family heads or persons in low income groups, those earning below the cost of living—and the dominion would meet the rest of the requirements out of the consolidated revenue fund.

Administration would be through the Department of National Health and Welfare building up a system of regional offices as for family allowances.

Related measures are next. If the new scheme were to become fully effective at once, it would make unnecessary the present system of old age pensions. There would be public assistance from the provinces necessary, and concurrently supplementary allowances, to provide for those who would not be eligible under the rules and for those with insufficient benefits. Some would fall between the seats, as it were, of the various regulations, simple as they are.

We also suggested that the government annuities scheme administered by the Department of Labour might be modified, to encourage the lower income groups, to purchase the annuities. We frankly thought that the proposed retirement benefits would provide only for the barest kind of needs. There would have to be resources above that level for people who wanted to live decently.

That is the plan and the rest of the material in the memorandum is argument and I have tried to give a little bit of that as I went along. Perhaps I should skip that now in the interests of time, and to clear the way for questioning.

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I should add one point. In this memorandum there is also, in the latter portion, a suggestion that there should be an accompanying plan, a system of survivors benefits which would in effect provide a life insurance policy for every household head, covered by the scheme. Thus, on the death of the wage earner, a wife would be entitled to the primary benefit of $40 plus 25 per cent of that for each child living with her. We suggested exactly the same method of contribution, and the same method of administration as in the case of the retirement plan. This would mean tying those systems together, just as in the case of O.A.S.I. (Old Age and Survivors' Insurance) in the United States. If we had the accompanying survivors' plan there would be virtually no need for the provincial governments' schemes of mothers' allowances.

I might call your attention to the fact that on page 22 there is a small table. That table will show what the amount of the contribution would be It would vary, you see, in the case of individuals depending on their circumstances. In the case of a single person with a gross income of $1,000 he would pay $20 a year only, or 2 per cent of his gross income; a single person with a gross income of $2,000 would pay 3·50 per cent—$70.

By and large the contribution for the mass of the wage earning population of Canada under this scheme would run to 2½ per cent or 3 per cent of their gross incomes and 5 per cent on the assessable income—which would be a smaller percentage charge upon the gross.

Then, for the total cost, there is an outline on page 28 of the memoranda. There are two tables there. We made our calculations on the basis of the figures as of 1948 and the total cost is $320 million with the individual contributions making up $137 million; the provincial contributions $25 million; and the dominion contributions $158 million. The dominion contribution would be offset, of course, by the existing expenditures on old age pensions which could be avoided, and they run now to over $100 million, I think.

The CHAIRMAN: I think the figure given in Mr. Martin's speech in the House on March 10 was that in 1951 the cost of a $40 pension to all persons 70 and over would be $323 million.

Mr. SHAW: That was without a means test of any kind?

The CHAIRMAN: Without a means test.

Mr. BROWN: Well he says here $320 million.

By the Chairman:

Q. But at age 65?—A. This plan would be less costly for the age from 70 on than for the flat $40, because we made arbitrary estimates as to certain numbers of persons who will be retiring at 65, 66, and 67, and they would be only getting $27 or $30, to the end of life; therefore the burden for the group age 70 and over would be less.

Q. Except at the start?—A. Yes.

Mr. KNOWLES: But you also envisage family units?

The WITNESS: Yes, the wife would get 50 per cent of the husband's primary benefit. That is one point I would make rather strongly. I think there is no need to make the primary benefit for the wife the same as for the husband—in view of the lower cost of people living in units.

The CHAIRMAN: That would mean a redesigning of the present benefit for a couple 70 and over—from what they receive now?

The WITNESS: That is true.

Mr. KNOWLES: The doctor is not a member of parliament.

By Mr. Ferrie:

Q. Who do you think should take care of the medical needs of old people?—A. In this plan we outline a plan of medical care for the whole country.

Q. No, I mean for old age pensioners. You say you would give a wife only one-half?—A. Yes.

Q. Has it ever occurred to you that the cost of medical care for those two people is considerable?—A. Quite so, sir. This frankly has made no allowance for medical care because along with this went a plan for medical care for the whole population.

Q. Two old people use pretty nearly as much in the way of drugs as they use food? Why would you not take that into consideration? Two old people cannot live as cheaply as one?—A. We have evidence of that in terms of the Toronto Welfare Council Budget and other budgets. We have a fair amount of evidence on that score.

As for medical care we do not allow for it in the budget at all. We presume that medical care would be provided under a quite separate medical scheme. This was written as part of a total program of social security.

Q. Unless you take into consideration medical care of the older people, after they get over 60 and 65, then somebody else has got to take care of them?—A. Quite.

Q. If it comes down to the local unit, the municipality often times is not able to produce the money, and then the cost must go back on real property. If it has to be put back on real property then a service is not rendered to these old people; that is all there is to it. —A. I quite concede what you say, sir, but I can only repeat that we had provided for an acompanying system of medical care also financed by contributions which would meet the needs of older people under the plan. If we did not have an accompanying system I would agree that special provision might be made and should be made in the old age security program for medical care.

Q. Do you think it should be added into this thing?—A. No, I would like a plan for medical care for the population generally and to have old age pensions as an item besides—as an item which stands alongside the other program in the scheme.

Q. Do you not think if you put this thing in the pension it would prove as a certain amount of experiment?—A. I think that is true. May I say that in some provinces, British Columbia, Ontario, and Saskatchewan, I think, there are schemes of medical care for persons who are public assistance recipients.

Q. That is what I am saying, and the burden is too strong or too heavy.

The CHAIRMAN: Senator Fallis is next.

Mr. BROWN: We have a joint question.

Hon. Mrs. FALLIS: It dos not matter which one asks it.

Mr. BROWN: The lady takes priority.

By Hon. Mrs. Fallis:

Q. I was not clear on grading the pension plan. If one draws a pension at age 65 of $23.50 do I understand that when they reach age 70 they are not entitled to $40?—A. No, Senator.

Q. They never receive more than $23?—A. That is right; just as under a private scheme if you began to draw the annuity at 60 you would obviously receive less.

By Mr. Brown:

Q. But it is adjusted to the cost-of-living index?—A. For age 70, yes.

Q. How about age 65?—A. No. The $26.50 would not be sufficient to cover minimum maintenance.

By Mr. Noseworthy:

Q. I presume really that you are suggesting that the husband of the family get $40 and the wife $20, but have you given consideration to those who are legally separated and where the husband and wife would each get $40? —A. We did not go into this in too much detail, Mr. Noseworthy.

The CHAIRMAN: There is a danger that a lot of them would part?

The WITNESS: Yes, but I would say that was something which could be covered by regulations and administration.

Mr. KNOWLES: You don't believe in that sort of thing?

The CHAIRMAN: I do not say that I believe in it; I say that I suspect it would happen.

Mr. FERRIE: You would not be far wrong there.

The WITNESS: I am confident that it could be protected by suitable regulations and administration.

Mr. NOSEWORTHY: Do you not think there would be any difficulty in that?

The WITNESS: Not if you set up the administration properly.

The CHAIRMAN: If you required a judgment or separation order of the courts?

The WITNESS: Yes, you might have that kind of test.

May I say, sir, that practically this is only the sketch of a plan. As you work into any of this you will find that you have got to go into detail and take various special individual cases so the legislation emerging will be probably fairly complex, even for what I would call a simple plan—and this if far more simple than the American Old Age and Survivors' Insurance Plan.

The CHAIRMAN: Do you avoid the keeping of individual records for a long period of years?

The WITNESS: No, sir. Individual records would be necessary but those individual records would be simple to keep. The evidence you would want would be only that John Brown—

Mr. BROWN: What Brown?

The WITNESS: Or John Smith or, shall we say Mr. X, would have contributed this sum of $15.

Mr. KNOWLES: Not Mr. "C".

The WITNESS: In the course of years you would need only a simple record sent over from the Income Tax Department to the Department of National Health and Welfare or whoever was keeping it. That is very different from the American system where there had to be a detailed record kept of payments and wages every quarter. I do not think this is an unduly difficult administrative job.

Mr. KNOWLES: What would be the minimum number of years?

The WITNESS: We suggest here if this thing came into effect immediately, that is to say, if it were passed on by parliament this year—that a year hence, after certain persons had been in for one year, they would be eligible. In the second year, a second contribution would be made, and so on for a period of fifteen years or twenty years, or whatever standard requirement might be set.

By the Chairman:

Q. I do not want to look ahead too far but suppose a young farmer had started at 25 years of age in your plan, making his contributions of $15 a year, what will be his incentive after he has paid for twenty years to continue to

pay from age 45 to 65?—A. He would have no specific incentive in that case but this was again part of a total plan and I think it will illustrate my point about the virtue of a total plan. Tied in with this was to be a survivors benefit plan. The farmer at 45 who has paid in for twenty years would have a wife and five or six children. If he continued paying his incentive would be that his heir, his wife, would get the benefit with respect to life insurance.

Q. The incentive would come from other plans?

By Mr. Fleming:

Q. I have developed an abnormal interest in this committee in the subject of priority. You have indicated you favour state medical care and other features of social security, and on page 2 of the short brief you stress the necessity of co-ordinating, by which I take you to mean a comprehensive or balanced approach to the whole field of social security.

How do you rate those in terms of priority—provision for aged, medical care, and the other features you have stated in relation to the whole problem of social security?

Are we risking an abnormal or an out of balance approach here?—A. I think we are, quite frankly. I think if we were to take out of federal money $200 million or $300 million net cash for old age pensions that would not necessarily represent the best expenditure of the money. I think there are other priorities, speaking generally of social security. That was your question?

Q. Yes.—A. I think there are a number of things which could well go ahead of more old age security. I have actually in my report of 1947 a series of priorities and frankly I put health and welfare grants at the top of the list. The policy under health grants has been implemented already, although not in regard to certain welfare grants. Secondly I put the development of a public assistance program. I would say federal assistance towards public assistance throughout the provinces should be placed ahead of a big scheme of cash benefits for the aged. I think we would get more for our money in that way. I also put some other things ahead of retirement benefits, like extension of unemployment insurance, and also medical care.

That was my thinking in 1947 and it is difficult of course to be clear on the thing now, but I should be gravely fearful of our going ahead on a $300 million or $400 million or $500 million basis for old age security without action in other items. Seriously, Mr. Chairman, generally I think in Canada our policy has been too much a matter of spending large sums in cash benefits of one kind or another which seem to catch the public interest.

Mr. Fleming: The piece-meal approach.

The Chairman: We have a constitution which we have to take into account. You were talking about public assistance as representing the first need?

The Witness: Could I give one illustration of an urgent need besides public assistance. I would say, regarding rehabilitation of the handicapped, that if we could put $7 million or $8 million a year across the country into measures to rehabilitate the handicapped—which would provide for partial maintenance, medical care, vocational and other retraining, appliances, artificial legs and that kind of thing—then there is no question but what we could bring a good many of these people back into productive employment and enable them to be self-supporting. That is what I call an example of prevention and rehabilitation.

We would get more value for our money by doing such a thing. You have asked me for priorities and I would say that rehabilitation of the handicapped should rank very high on the list of priorities.

By Mr. Fleming:

Q. I was interested in you saying that you rank provision for medical care ahead of old age assistance. You have made a study of the cost of medical care,

but are you free to tell us what it would cost for an adequate system of medical care in Canada?—A. We made some study of it, Mr. Fleming, but very frankly our study two years ago was not very complete. We were not able to probe much beyond the findings of the Heaggerty Committee of 1942 and 1943. Some of these costs, of course, will have increased rapidly since 1947. We did not do any original research on the question, but I think we allowed something around $300 million for a program of medical care across the country. I presume that would be a low figure at the present time.

Q. What priority would you rate that? More important than increasing the old age assistance program?—A. It is difficult, when you want to do both. I think, on the whole, I should do so, sir—particularly if the preventive aspect were strongly stressed, because I think the more our social services are geared towards preventing disability and inability to work, and towards rehabilitating people for work, then the better off we are. I would rather see money go into a medical program with very high stress on prevention and rehabilitation than I would see it go into benefits just for the maintenance of old people. Mark you, I believe in the need for old age benefits, but I say that if we only have $200 million or $300 million more of federal money to spent I would rather see that money spread over two or three programs than concentrated into one, in order to maintain the balance, leaving until later the building up of the adequacy of the separate services.

Q. May I ask a question on the matter of costs. First of all you have indicated the exemptions which you have in the 1947 report on page 7. You would change those today, by increasing them 20 per cent?—A. Yes, sir. I think that, following the same principle they would have to be changed and, moreover, following the principle we suggest, the $40 figure in 1947, to be consistent, would have to be something like $48 at the present time.

Q. Would you leave it at the mercy of the cost-of-living index—in case it went down? From a political point of view you realize the difficulty that there would be if the cost of living went down?—A. Not having had good political advice when we drew this up, we put in the idea of the variation in accordance with changes in the cost-of-living index.

Q. We take it that you are recommending, according to your figures on page 7 that the exemption for a single person would be $720; for a married person about $1,080?—A. That is right.

Q. And the exemption per child under 16 would go up to about $180?—A. That is right, Mr. Fleming.

Q. Then on the subject of the government contribution you have indicated in 1947 that you wanted the provinces to pay a contribution for those individuals who are not able to pay their own. Have you developed any thoughts on that since 1947?—A. Quite frankly, sir, when I wrote this I had some considerable uncertainties. It was a flier; it was designed as a memorandum for discussion and I was sure that critical discussion would lead to many holes being picked in the scheme. The idea originated in British Columbia in 1935 or 1936 when two or three of us worked out a health insurance program in which the province was to make contributions in respect of those persons in the indigent category. I think it is possible still, but I do not think it is essential. In the memorandum somewhere it is stated that it could be included or not included. In the case of the nonpaying group arrangements might be made for them to make each year a declaration of being below the exempt limit of assessment. Having made that declaration they might get credit on the books for the equivalent of a contribution for that particular year. Or, alternatively, that group could be left out of the scheme altogether and taken care of by means of public assistance.

Q. Have you any suggestions to make as to how a government body, let us say the federal government, could raise its portion of the money by contributions?

—A. My thinking there, sir, was that that would come out of the consolidated revenue fund.

Q. You have no ideas as to how the money could be raised?—A. No.

Q. Then as to the employer principle, we had, in the representations made before us yesterday, the point of view in regard to contributions in which the employer shared more than the contributor; and I think it was also pointed out that in certain cases the amount of contribution from the employer might vary, depending on the amount of labour involved in the case as compared to the amount of capital employed; that it would cost one employer more than it would another; and it was suggested that it might have the effect of raising the cost of living. I think it was Mr. Davidson who made some observations on that point. Have you any comments to make on that?—A. I had a chance for about ten minutes this morning to run over that brief, I think it was the one put in by Mr. Lamontagne, and my reaction was that the Canadian exporters would not be at a disadvantage. I think the answer to that is very simple. Most of the other countries with whom we are competing have moved forward—beyond us in social security—take, for example, France where the charge against employers is about 30 per cent of the wage bill. That is much more than we pay. The charge on employers is even more in the United States than in Canada. But you will note in my suggestion here that I do not urge an employer contribution for this particular purpose of old age security. In another portion of the memorandum I do urge an employer contribution in respect of unemployment insurance and cash sick benefits, which I suggested might be passed on to consumers, but I do think nevertheless that plans such as these should include some provision for employer contribution. In general, my reasons for hesitating to propose employer contributions for the old age security were somewhat similar to those advanced by Professor Lamontagne when he argued that the employers would pass on to the consumers in one form or another the various taxes with which they were charged. I think the economic considerations arising there may be valid. But nevertheless there is a spot there where we might get a certain amount of money, and therefore, there are considerations of expediency to support the idea of an employer contribution.

Q. But you still contemplate the provision of supplementary assistance through a means test administered by the province?—A. Very definitely, I think that is indisputable. There are obviously persons in the lower age groups about which we have been talking who will be in need of assistance, and in order to provide benefit to them I do not see how we can get away from some kind of a means test. I should like to see it used as little as possible, and the need for it will depend upon the adequacy of the benefit as a matter of right.

Q. And you would recommend that that be established on a dominion-provincial basis?—A. That is right, sir.

Q. Now, there is one other question which occurs to me. Throughout your discussions you have laid great stress on the contributory factor. Is it fair to deduce from your statements that you attach a very great importance on the individual contributory factor in a scheme of this kind?—A. Yes, I do, very great importance indeed.

Q. You may have read the evidence, but as I recall it there was one witness with some experience who suggested that he thought it better to have contributions rather than taking everything out of the consolidated revenue fund; I think he said it was more humanized where the individual made a contribution. I don't want to name any names, I think you know who I have in mind. I take it that you have a different point of view on that?—A. Yes. That was in the brief of the Canadian Welfare Council, and I think the point there is that we were not able to give sufficient consideration to that aspect of the subject. I saw that brief before it came before your committee, I was present at the meeting where it was given consideration, and it was agreed that the Council should not take a position on that matter.

Q. And my final question: is the present system in Canada satisfactory?—A. I think, sir, not very satisfactory. I think it could be better.

By Mr. Knowles:

Q. Mr. Chairman, in view of Dr. Cassidy's well stated position regarding our whole social security set-up might I ask him—I have to be very careful in this—if we do go any further our first step will have to be with regard to the contributory aspect. Perhaps I had better put it this way: is it fair to say that in your scheme you talk about this possible 5 per cent contribution and did you have that in mind as a contribution for the over-all scheme or just for old age?—A. Oh, no, Mr. Knowles, we had in mind that 5 per cent on assessable income as a contribution particularly for old age benefits, and we left the way open for another 5 per cent on assessable income for the medical care section of the general scheme, and a further 1 per cent for the survivors scheme; in other words, to cover old age benefits and health service plus this survivor scheme, there would be an 11 per cent levy on assessable income. That would not be on gross income because we had an upper limit. It would amount to between 5 and 6 per cent on the gross income below a limit of something like $3500, or whatever cut off point was practicable.

Q. It is quite a problem, you know, to try to collect $300 million to $400 million, and when we consider recommending a tax of that kind we have to think of it in terms of what is going to happen later on. Is it not possible if we propose too high a tax for only one social security benefit that we discourage people from supporting this idea of more taxes for other things that have been left out?—A. Yes sir, I think there is a very real danger.

Q. The problem before this committee is to make a recommendation in keeping with its terms of reference, and our terms of reference relate specifically to old age security, so that our problem is a very real one. In my judgment we have to be very careful as to the extent of the tax that we recommend, particularly for the lower income brackets, if we want to leave room for any other social security benefits.—A. I quite agree with you, Mr. Knowles. May I perhaps bring out one point that might be of some interest to the committee. I don't think that I have been able to interest any of the civil servants in it, but perhaps it will be of interest to the committee. It seems to me that if we had a contributory plan of old age benefit, similar to a superannuation benefit for the Civil Service, having people declare their income for the purpose of determining the amount of the contribution so as to be eligible for benefits it would have a real value, but having it collected by the income tax people would I think present the difficulties usual to the collection of taxes of that kind. As you will appreciate, it is difficult to collect from certain people even under a general scheme of public finance such as this contributory scheme would be.

Q. You are not concerned about any record being kept as the total amount of contributions?—A. Yes.

Q. Because the benefit to be paid will not be related to the amount of the contribution?—A. Quite true.

Q. So we are not concerned about a record of those contributions. As we were dealing with that part of your plan I was thinking of a situation which they have in New Zealand, where Dr. Davidson pointed out to us in dealing with the social security contributions that are required that when a person reaches retirement age if he has been in New Zealand for the required period of time it was assumed that he had paid his contributions, and that principle is very well established in the minds of New Zealanders. Would you care to comment further on the advantages or disadvantages as between these two schemes?—A. Certainly, sir. I would think the New Zealand scheme, which is somewhat like the Australian scheme, is good as far as it goes, but I do not think they have that element of positive incentive which is the main principle

of this scheme which I have outlined here. I think it is natural that if you have eligibility for benefit dependent upon contributions it will provide an element of incentive, in other words, you have a positive inducement. I think an element for consideration there is that by and large, we tend to avoid the payment of taxes. Many good citizens, even like myself, when they come to make out their income tax returns and there are little items of $50 or $75 or something like that—say a fee from a lecture down in the States of which there is no record here—we are inclined to, shall I say, argue with our wives as to whether it should go in.

Mr. FLEMING: Is that what you call your conscience?

The WITNESS: I think you know what I mean, there is that element of potential evasion. But here you have a scheme where because of making certain contributions over a period of time the individual is assured of receiving certain benefits, and I think that would have a very considerable effect in its operation, and I think it is of very great importance.

The CHAIRMAN: They would not be eligible unless they could show that they had contributed.

The WITNESS: They would not be eligible for benefits unless they had contributed.

By Mr. Knowles:

Q. Well now, I was wondering about that when you were speaking earlier of the position of those who had not contributed, more particularly of those who did not make enough to contribute; would their benefits, in your thinking, not be as much of right as in the case of others?—A. No, this scheme definitely calls for contributions having been made. You will note that in this plan there are provisions for payments in respect to the very lowest groups by the provincial government so that they would have contributions made in that way and establish their rights to benefit under the scheme.

Q. How would you take care of people who arrived at, let us say, the age of 65 or 70 but had no record of the payments which they had made?

The CHAIRMAN: They would come under the means test system.

The WITNESS: I think I should be quite content to see a scheme work like that. You see, a great majority would have had a chance to make their contributions. You might change the number of required contributions to 15 years. Whatever you do you would have to make it general.

Mr. KNOWLES: You would reduce that from 20 payments to 15 payments?

The WITNESS: That is right. You might do so.

By Mr. Knowles:

Q. Well then, would you care to elaborate further upon your suggestion of a change with regard to governments annuities?—A. I think that should be a matter for further investigation to work out a scheme more generally available to working people, one that would encourage them to supplement their prospective retirement pension with some form of annuity income.

Q. That is what I mean. You would make it easier for people to purchase annuities to supplement their old age pension?—A. Yes.

By Hon. Mr. Farquhar:

Q. During the course of your remarks you referred to the cost of living being higher in the larger cities than it is in some of the smaller centres. Would that affect the contributions to your contributory plan?—A. No sir, the plan we suggest here would be contributions up to a certain point as a percentage of earnings, whatever the earnings might be.

Q. A percentage on earnings?—A. On the actual earnings, the assessable income.

Q. In arriving at that conclusion did you take into consideration the fact that wages and earnings are usually smaller in the smaller centres as compared to the larger centres, one of the reasons being possibly that the larger centres are better organized, and for that reason services are higher, much higher than they are in the smaller centres; and also the fact that competition is much greater in the larger centre than it is in some of the smaller centres; and the cost of living is bound to be greater in the larger centres than it is in the smaller ones, in the rural centres, with the result that contributions would be lower. I was wondering if you had taken that into consideration in preparing your scheme?—A. Yes.

Q. Do you not think that possibly the cost of living is higher in the larger centres?—A. Well, sir, as the memorandum says, we have not been able to do anything like cover the ground with respect to ascertaining the full facts relating to the cost of living. We thought it would be lower as indicated by the evidence from the limited observations we made in Toronto, in the smaller places. We recognized that we did not have enough evidence there on which to base a decision, but that was the best material on which we had to work, and that did suggest to us very strongly the importance of more research of that kind in connection with the social security plan.

By Mr. Brown:

Q. On page 6 of your brief under the heading "eligibility" you state: "primary benefits would be granted to all persons who:—(e) are not Indians on reserves or Eskimos."—A. Yes.

Q. Having in mind that we have had witnesses who have had contrary views to that and that there has been a joint committee of the Senate and the House of Commons which has recommended that Indians on reserves be given the old age pension, and having in mind too that I personally do not share your opinion, would you like to make some comment?—A. I think very little, sir. I think that I would not press that point very strongly. It was our judgment at that time that the Indians on reserves or the Eskimos were really not living in a cash economy the same as other people were and that other measures might appropriately be taken for their welfare.

Q. You mean there should be a sort of segregation?—A. Oh, not segregation, not at all.

Q. Discrimination then?—A. Well, no, measures appropriate for that group might be taken separately.

Q. Would that not be discrimination?—A. Is it discrimination, sir; or is it merely appropriate treatment for a special group?

Q. I do not think I care to labour the point. I don't agree with you, I will say that quite frankly.—A. Quite.

Q. Having studied the matter, but I think that is another matter——A. Well, Mr. Brown, I have not gone into the matter and I am subject to correction at that particular point. It seemed to us in our thinking that it might be better to have them exempt from the scheme.

By Mr. Ferrie:

Q. Have you made any study as to what the percentage cost of the administration of this scheme would be?—A. No sir, we didn't try to attempt to work that out on the basis of detailed estimates, but I will give you a guess, what I think I might say is an informed guess; that the cost of administration of a plan like that would be relatively moderate, I might say certainly within the 10 per cent range, and almost certainly within the 5 per cent range, and possibly somewhat less than that.

Q. Also, have you made any study as to what the difficulty would be in connection with collections?—A. No sir, because we suggest collections be made to the income tax machinery of the government, through the income tax machinery already set up.

Q. What about the people who do not pay income tax—the farmer and the little fellow?—A. We would cover that by making provision for a declaration on their part to the income tax authority of their earnings for the year, using a simple kind of form, but in the case of the great majority they would be wage earners having deductions made at source by their employer just in the same way as income tax deductions are made at the present time.

Q. Yes, that is all right for the fellow who has a job, but how would you do it in the case of a poor farmer?—A. Well, sir, it will be compulsory, he will be required to make a statement.

The CHAIRMAN: In other words you mean that everyone will have to file a return.

The WITNESS: Yes, everyone with an income above the acceptable limit.

The CHAIRMAN: How would you make it simple for a farmer, Dr. Cassidy? You say it is going to be a very simple form.

Mr. NOSEWORTHY: Turn to page 5, I would like a little more elaboration of the scheme set out there.

Mr. FERRIE: I would like to make one more point with regard to that. Would there not be more of a tendency to evade payment? Take the case of the C.N.R., the basic pension there is $25 a month and only 27 per cent of the employees today have made any contribution. That is the situation there. Why would it be any different with respect to a scheme of the kind you have put before us if the great majority of the people in a big organization like the C.N.R. don't do it now.

The WITNESS: I would think if the amount of the benefit is sufficiently attractive a great majority of the people would have an incentive, would they not, to make their contributions, particularly if they knew that unless they did so they would not be eligible for benefit when they reached age 65 or age 70.

Mr. FERRIE: But there you have one of the best organizations and there are only 27 per cent of those people who are doing it.

The WITNESS: I do not know your figures, of course; I think the fact that 27 per cent do pay is somewhat of an indication of interest in that scheme.

By Mr. Noseworthy:

Q. What did you have in mind in connection with this graded scale on page 5. I take it you agree that in the case of a man who at age 65 is compelled by circumstances to accept benefits that he has no income and his total benefit will be $23.50; is that right?—A. Yes.

Q. What provision is there for further help to him?—A. The only provision under this scheme, Mr. Noseworthy, would be supplementation by public assistance. Looking at that afresh I would think that perhaps some modification might be made within this so called graded scheme, that you might still have eligibility for the $40 or the $48 for the age 70 rate, and that might also be available for those persons in the 65 to 69 group who were in the physically handicapped category. That brings in the Canadian Welfare Council idea. Now, the idea frankly would be this, that special provision might be made for those in this age 65 to 70 group who were physically handicapped or obviously unemployable, for reasons that are clearly apparent such as to exclude them from the labour market. I would think there would be a very very strong argument for making provision for that group if you possibly can.

Q. Would you favour a means test of from 65 to 70 in order to take care of that?—A. Oh, no, not for that group. I would like to see it payable as a matter

of right to that group who clearly are outside the labour market. In the case of others with capacity for employment who are not in a position to look after themselves, I would be pleased to see a public assistance means test used.

By the Chairman:

Q. May I refer for one moment to your comment in answer to Mr. Fleming's question, that we should not put all our eggs in the same basket. That goes to the usefulness of this committee. You proposed a plan for old age pensions in your brief that would cost approximately, according to your estimates of 1947; $327 million, but now you would increase the benefits by 20 per cent, which would increase the over-all cost to approximately $400 million a year. Would you say if your plan was put into application now that we would be putting all our eggs in the same basket?—A. No, sir, not if there was a disposition on the part of the government to go forward with the other parts of the total plan.

Q. The cost of this in your mind—the cost of $400 million—would not prevent the government from going on with the other schemes?—A. No, sir, I think not.

Q. And it would cost for old age pensions more than $400 million because a lot of people would not be covered and they would have to be provided for under the means test system?—A. Yes, a limited number, quite a limited number, I would think. I have a profound conviction the job can be done in total, when other countries with lower per capita incomes than we have are putting a greater relative amount into security, but I have a feeling it is the people, the little man, who must pay for it by and large. I think a good social security does not represent necessarily transferring income from the rich to the poor. I think I should use Beveridge's phrase; it is a matter of transferring income over periods of earning and not earning. I think the job can be done without putting much more than the present burden on the Consolidated Revenue Fund.

Q. I was tempted to ask you a question because in answer to Mr. Fleming you said if we put $300 to $400 million on old age pensions, then we would not be able to do anything else for other social insurance schemes. I believe you said that; and now you propose a scheme that would cost $400 million.—I think it is a political question, is it not?

Mr. Knowles: I think Dr. Cassidy said if he had only $300 or $400 million he would not want to put it all into one scheme.

Mr. Fleming: He said if he had only $300 million to put into social security he would not put it all into old age pensions.

The Chairman: It is clear in my mind now, it was not before.

The members of the committee join with me, Dr. Cassidy, in thanking you, and you may be sure your experience will be of great assistance to us. We thank you very much again.

—The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 26

MONDAY, MAY 29, 1950

WITNESS:

Dr. Charlotte Whitton, O.B.E., Ottawa, Ontario.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

MONDAY, May 29, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.30 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senator Farquhar.

The House of Commons: Messrs. Ashbourne, Blair, Brooks, Croll, Ferrie, Fleming, Knowles, Noseworthy, Shaw, Smith (*Queens-Shelburne*), Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Dr. Charlotte Whitton, O.B.E.; Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W Willard, Director of Research, Department of National Health and Welfare.

Dr. Whitton was called. She presented a brief which was taken as read and ordered to be printed in the Minutes of Evidence.

Witness was examined on the said brief.

At 6.10 p.m., witness retired and the Committee adjourned until Tuesday, May 30, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

63315—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MONDAY, MAY 29, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4.30 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Gentlemen, I see a quorum.

This afternoon we have with us Dr. Charlotte Whitton, very well known columnist and expert on social welfare.

Dr. Whitton, I believe, was one of the founders of the Canadian Welfare Council and she is one who has taken an active part in that organization since its beginning. Dr. Whitton, the members of the committee were very anxious to have your views on these matters and you may rest assured that what is in your brief and what you are going to tell us this afternoon is going to be of help to us in our difficult task; and when I say that, I believe that you will agree with us that it is a difficult task.

Dr. Charlotte Whitton, O.B.E., called:

The CHAIRMAN: Doctor you have the floor, and you may touch on the highlights in your brief and add anything you wish. You have all the latitude you need. When you are ready I shall call on the members for questions.

The WITNESS: Mr. Chairman, and members of the committee: first, may I apologize for the fact that I may have to add certain things to the brief which you have because, when word came to me that I might avail myself of the privilege of coming before the committee I was down in the United States. I have been following the proceedings of the committee but I had not seen the evidence of the last ten days so there may be some things upon which I wish you would not think I was avoiding the issue in not having brought them into my memorandum.

I shall deal with some of them and in the case of others I will be glad to deal with any questions.

The CHAIRMAN: I suggest that Dr. Whitton's brief be incorporated in the evidence at this point.

MEMORANDUM

to

THE COMMITTEE ON OLD AGE SECURITY

of

THE HOUSE OF COMMONS AND SENATE

Ottawa, Monday, May 29, 1950.

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Submitted by
CHARLOTTE WHITTON

INTRODUCTION

In any discussion of *social security,* since the appearance of the Beveridge Report, it would seem frank and honest to face the fact that, in the name of social security, and under the aegis of what has become known as "the Welfare State", there have developed *two major methods of providing* what may be designated as *social aid,* assistance, benefits, allowances, services,—call them what you will—on behalf of the citizens of the state. These may all be designated as social services or welfare provisions but they clearly subdivide into these two major subdivisions, which, no matter how approximated in general phrasing, are quite distinct, *namely, Fiscal Payments and Welfare Services.*

Fiscal Payments

One type of these provisions, described today as social aid or allowance, upon examination will prove to be really an ingeniously devised, but yet obvious, method of the redistribution of wealth and income. Of such nature, essentially, is the present system of Family Allowances in Canada. Of such nature and effect, also, essentially are proposals for a direct, flat-rate, over-all grant, automatically effective at a given age, for all qualified residents within the Dominion. That is the frank and honest way in which to face any decision at this time to pay a flat sum, per month or per year, to all our population over a given age, with no test as to its adequacy to meet the aged person's need, or as to that person's ability adequately to provide for himself or herself.

Such payments, it is submitted, would be much more frankly faced, honestly assessed, and directly related to cost and resources were they described clearly for what they are, *fiscal payments* to assure a minimum income, or purely arbitrary amount, on behalf of all children under a given age, or of all old persons over a given age. They could then be federally provided, from a stipulated specific tax, reserved entirely to the federal prerogative, *and made visible,* such as a direct sales tax, or a fixed percentage of the income tax.

Contributory Benefits

Partly because this issue was either not clearly perceived nor frankly faced, a sort of middle-of-the-way device evolved in the contributory retirement and

old age pension schemes, properly so described in Europe, Britain and, latterly, the United States.

Whatever the merit of the contributory deduction in the specialized wage-earner categories in concentrated industrial undertakings, the whole principle is now under serious examination and grave questioning when applied to a whole population, own-workers as well as wage-workers, scattered over a whole nation, and to the underwriting of such general risks as old age and health needs, for all the people. Its complicated and costly mechanisms, its inroads on the freedom and inability of the worker, its proven inadequacy upon maturity in days of shifting currencies are all under re-examination in so many countries that Canada, not yet involved in more than unemployment aid on a contributory basis, would appear to be well advised in stopping, walking, looking, before committing herself to any illusory scheme of contributory social aid. Such premiums are now seen to be only another form of a special prepaid tax, enlarging the volume of uncontrollable liabilities in a nation. The income is absorbed really into current outlays, and capitalizes a commitment to future current outlays which can some day assume paralyzing proportions. This is what is worrying the United States today.

Advocacy or agreement as to the shift-over of the present old age allowance scheme in Canada to a contributory basis would involve even more prolonged and extensive preparation than transfer to an out-and-out fiscal grants system, and thus would call, for some considerable time, for caring for our present aged under our present system of welfare allowances.

Welfare Services

Welfare provisions, as they have been developed as distinct from fiscal grants or contributory schemes, in Europe and North America, concern themselves with the exact, actual human need of the individual or family, to the proven extent and nature of that need, and, so, when properly devised, consist of both economic help and actual service. They seek to ascertain and assure two major needs—*income maintenance* to the minimum, required for reasonably decent living, and actual *social utilities* to assure health, shelter, advice, counsel, in general the well-being of the individual or family group given care.

Fiscal Payments, Contributory Benefits or Welfare Allowances?

It is submitted that the first and major decision before this Parliamentary Committee is exploration and recommendation as to which is to be the determining principle of the provisions for the welfare of the aged in Canada today,—(1) the assurance of out-and-out fiscal allowances, automatically available upon attainment of a stipulated age, and hence the abolition of all means tests and welfare services about the applications, grants and payments, or

(2) the introduction of some contributory prepayment plan, or

(3) the continuance of aid to the aged as part of the welfare allowances and services.

It is along one of these paths that the end of the road leads in the major decision of all present debate in this Committee. It is obviously one, on the choice of which very few people can speak with much technical knowledge and authority today; it is one which, if taken on the basis of fiscal payments, will call for such extensive planning and re-organization as to evolve a considerable period of time before being made effective.

II

The Welfare of the Aged and Ageing

Therefore, whether the present system of welfare allowances for the aged is scrapped for a system of test-free, flat-rate fiscal payments or retained, the

actual human needs of the aged and ageing will continue, calling for imaginative provision of work opportunities, of housing, health and social measures, designed to their special need: It is on this assumption that these submissions, essentially of a welfare nature, are offered.

This problem of economic security and social wellbeing for the aged and ageing in our population demands serious examination of the complicating factors which enter into any discussion of the social welfare of the aged, anywhere, and of certain aspects which present themselves with particular force in North America. In fact, the problem has been presenting such vast and complex ramifications, in the closely comparable setting of the United States, that in August 1949, a four day Institute on the Problems of Old Age was held at the University of Chicago, and attended by ranking experts from all the related fields in which, it is now quite evident, there must be the closest integration if any adequate program is to be developed with conservation both of the real resources of the aged themselves and of the state which attempts to provide for them.

Crisis in This Decade

What makes the challenge a peculiarly responsible one in both Canada and the United States is that we face "the economic problem of ageing in a steadily ageing population". "Old age, as a social and economic problem, has been creeping slowly upon the American Nation for the last half century but we are still in the early stages of its development. It will take another half century to bring the problem to its full peak of intensity, but its manifestations will become painfully apparent within the next ten years."†

Old age dependency did not begin to break generally across Canada with bitter severity until the first recessions in the early 'twenties. Then, as in the United States, the worklessness and need of the aged were obscured in the general unemployment and agricultural need of the tense 'thirties, in which, as a matter of fact, our actual recipients of old age allowances were, in many areas, the most adequately maintained of a stricken population. Then came the Second World War with its rapid absorption of all marginal workers, its full time gainful occupation of all "workable" members of a household, its high prices for farm produce, and military allowances taking up the slack and the rise in living costs for thousands of homes from which the sons and daughters were in the Armed Services.

The sustained post-war resiliency of the economy has, until the last twelve months, had a comparable effect in cushioning the real severity of the needs of the aged and ageing, until comparatively recent months when recessions in gainful occupation and tightening living costs have interoperated to bring into sharper outline a problem which has been slowly gathering cumulative force. Conditions in the Republic to the South are so comparable that certain conclusions, accepted there, are also applicable there:

"Beginning in the 1950's, the problem will begin to gather speed and the following two decades will roll on to full flood in the closing decades of the century. Therefore, we have somewhat less than ten years in which to evaluate the patterns of solution which, as a Nation, we shall adopt. *The consequences of the various programs of solution are so widely different that it will be of the utmost importance to choose the best one, and avoid the worst.*"‡

Nothing could be more soberly valid than that sentence for the present Canadian picture; and no matter what the degree of our culpable negligence has been, nor where responsibility has lain therefor in the past, precipitate action

†Economics of Old Age—Ewan Clague, Commissioner of Labour Statistics, U.S. Dept. of Labor—"Public Aid in Illinoise", Dec. 1949.

‡Idem.

now, in the better light which the hearings of this Committee have already afforded, could come close to criminal liability and gravely imperil both the cause of the aged themselves and the general well-being of this country.

Practical Problems

What every Canadian wishes is, surely, humanely to meet the immediate human needs of the aged. To do that we must first be able to assess their extent and nature. The first realignment which social thinking is experiencing in this field is the grave error of trying to set a chronological age and saying that, automatically, at that age, every man and woman is deemed physiologically incapable of sustained gainful occupation when that age may be premature for the physiologically fit, particularly in a farm population, and tragically deferred for the handicapped, broken or infirm.

Geriatric Grants

Quite new vistas are being opened in the usefulness and happiness of the aged by serious development of geriatric medicine and the relation of geriatric clinics to the gainful occupation and self-support of the aged and ageing. The Dominion's National Health Service is practically conceived, and, on the whole competently executed. Through it, clinical resources and intra-mural care are being rapidly extended. One of the first and most practical steps in more constructive immediate measures for the aid of the aged and ailing would be the earmarking of special grants under this existing plan for the creation of geriatric clinics in existing diagnostic centres, for their extension elsewhere, and for the creation of geriatric units within the range of services of existing hospitals. Both public and voluntary funds could be enlisted in assuring recourse and treatment for the aged in these geriatric resources, on a basis of per capita financial responsibility, comparable to our existing schemes for the detection and treatment of tuberculosis.

The purpose of such an immediate extension of geriatric examination and treatment resources would be to facilitate what time is likely to show to be absolutely essential, no matter how the financing of aid to the aged may be organized. That is some means, at once flexible enough and yet reliable enough to permit of the admission to allowance and service, not only of aged at the statutory minimum age, agreed upon as the generally qualifying, chronological age, but also for assistance at any earlier age, when there is an accompanying completely disabling and non-remediable condition.

Placement Services and Re-training

These geriatric services are essential to another and new approach which circumstances appear to be forcing in our attitude to the aged and ageing. Two factors kept our population young in North America—one a high, though now declining, birth rate, the other large-scale immigration from abroad, the latter of people predominantly young or in early adult years. Neither of these influences is still operating at previous "highs", while, on the other side of the ledger, the length of life has been steadily extending. Where, in 1900, life expectancy in this country was approximately 50 years, it is now 63 to 65 years. These things have changed the whole population content so that, where, in 1900, about one out of 25 persons was 65 years or over, today, one out of every 12 or 13 in that upper age group, and by 1961 one out of every 8 or 9 of our population, are likely to be such age. These are those who are called or call themselves the old.

There is another major shift in the population content—that is in the volume of *the mature*—those from 45 to 64 years of age, who, at the opening of the century, were about one in 7 or 8 and today provide about one in 5.

If the aged, ageing and mature be taken together they will form, in another decade, about a third of the people.

We are in an age of rapid scientific change, requiring constantly changing skills and new technical knowledge. Displacement goes on apace in many processes, while, government taking the initiative, more and more employers decline, because of the effect of contributory pensions, to engage new workers over 35 years of age, and certainly over 45 years, particularly women. Yet the average male worker's family responsibilities are likely to be heaviest at these very ages.

All these factors operate to throw more and more people out of gainful occupation, to make it more and more difficult for anyone, once displaced, to get replaced, and such considerations lead to the pressures to reduce the statutory age of assured aid to 65 years, which, if we do nothing else, will be 60 years before the 65 year limit is operative. The resultant situation is directing research and effort towards a re-assessing of two facts. First, in many processes, the greater steadiness and reliability of the older worker more than offset parallel ageing in physical powers. Second, in yet other occupations this physical ageing affects output little, if at all, and, most important of all, that, to quote the Chicago proceedings again, "one of the hopeful facts which we learn from the scientists is that the learning capacity of the individual declines very slowly. It is as good at the age of 60 as it was in the early teens."

The Public Employment Services and the personnel divisions in private employment are early and directly in touch with such problems. We have had large scale technical, vocational, training, re-training and veteran training plans. We have the machinery still available. It is suggested that these resources should all be brought into play to the end of assuring the gainful occupation of the mature and older worker, and his or her re-training when displaced, without regard necessarily to chronological age so much as to his or her continuing usefulness and self-support.

Upward Revision of Admissible Income

Related to this individual and social need of keeping the aged or ageing person gainfully occupied and happy in the sense of useful activity is a change, in the cramping maximum placed upon "outside" earnings or income under the present Canadian aged allowances system. In 1926-27, a dollar a day was deemed the minimum amount compatible with subsistence living for an aged single person. It was roughly calculated that the basic payment would provide two-thirds of this, and outside income the other third. Therefore, the basic allowance was fixed at $20 per month, maximum at $365 a year, allowing for outside income up to $10 per month or $125 per annum.

Various changes have taken place. When the basic payment was $30 per month, the ceiling was set at $50, allowing outside income up to $20, roughly 40 percent of the estimated subsistence level of $50 per month. But when the basic grant was raised to $40, the ceiling was still left at $50, thus restricting the aged person to the very same maximum, and really benefiting public funds, at the cost of all who earned more than $10 per month.

It is submitted that, at once, relief could early be granted many in need, by the simple device of having the cost of living budget reviewed every year, as is done in several provinces in the administration of mothers' allowances, recognizing a reasonable maximum ceiling and allowing outside income up to, say, 40 per cent of the basic grant. Were the present "margin" to be restored to what it was until quite recently, namely $240, with the ceiling at $60 and the basic grant $40, tens of thousands of aged beneficiaries would be aided quite disproportionately to the comparatively small sum involved in our total Dominion budget.

Provisional Allowances

It is, of course, true that our aged and ageing have been existing in some way prior to attaining the age of eligibilty, or previous to the circumstances leading to application for allowance. With pitifully many, it has indeed been mere and piteous existence. The aged, on the whole, are not as alert, as expert in form filling and document filing as statistical contemporary civilization: time is running out on them and, where there is need, suffering is sharp. Yet delays may run into months, even years, in the procuring and proving of evidence, death may intervene before admission of claim.

It is submitted that, again, results quite disproportionate to outlay could be assured by allowing the grant of provisional allowances for a period of three to six months, pending proof of eligibility, these provisional payments to be recoverable from subsequent payments, if calculated in excess of right, and penalties to attach in case of falsification of basic facts.

Shelter for the Aged

Housing and shelter present a continuing problem to most Canadians; most of the aged are tragically ill-housed. Thousands of them, especially the elderly men, are incapable of maintaining self-contained establishments, even if they could obtain them within their income. Very few lodging house keepers, with attractive accommodation, wish to take aged roomers with the possibility of accident, ill-health, chronic illness or death supervening. Unit care is quite inadequate to the need of those who seek good accommodation in small home-like hostels, and what does offer is almost exclusively in urban centres. Most of our county homes and almshouses and refuges are desolate, drab, dreary, without properly qualified staff, and lacking entirely in diversions or occupational activity. For the ailing, infirm and chronically ill aged, there is just quite inadequate provision.

The resultant situation is that, from coast to coast, in the larger cities, aged, able-bodied, ill, and ailing are lodged by tens of thousands in conditions disgraceful to our civilization and many of them the victims of the most callous exploitation. Poor, lonely and desperate, thousands believe that if they could only pay more they could get quarters. They could not.

What is needed is a constructive over-all plan for shelter units for the aged, some of it in community housing projects, much of it in small home-like units, permitting of separate rooms, with provision for breakfast and tea, perhaps, in the aged person's own suite, but with common dining, reading and recreation rooms.

These units should be devised for aged couples, as well as for single persons, and should be in north country, frontier and rural areas, as well as in cities. They could be related, in some of the units for housing "old timers" and erected in timber and mining stretches, as buildings under related employment work projects.

In urban centres, there should be reading, hobby and club rooms open to roomers, living in private homes, as well as to the residents, while, if, as in England, local communities could make arrangements for one hot meal being served at noon from a mobile kitchen to aged persons in their own homes, many more would be able to carry on, there.

The Dominion-Provincial Health Plan has sufficiently proved itself to offer as a model for a co-operative partnership in this closely related field of housing the aged, for whom such facilities will be required, no matter what system of financial aid is adopted.

It is therefore submitted that:

(1) A Dominion-provincial-municipal plan for the extension of facilities for shelter for the aged should be developed, along the lines followed in

the erection of hospitals, clinical and diagnostic centres under the Dominion-Provincial Health Plan, on the principle of matching grants, on a per bed basis, from the Dominion and co-operating provinces to local agencies, municipal or voluntary, for the erection, according to approved plans, of units, housing not more than 50 aged persons, and with such facilities for the community use of the aged as may be included.

(2) The Central Mortgage Housing and Loan Corporation be requested, in all community housing projects, to include some units and facilities for the aged, whether in small single self-contained units or in community units, commensurate with the size of the housing project or the community in which it is located.

Health Needs of the Aged

Closely related to the shelter of the aged is the problem of their health care, cont nuing under any system of financial aid.

The cost of health service is one of the major fears besetting nine-tenths of the adult population of this country, for whom a major illness or operation is likely to mean heavy indebtedness or serious impairment of savings. With the aged, with failing powers, indifferent health, and minimum subsistence income this fear becomes an absolute bread, while, admittedly, their very susceptibilities to concern about their health mean that no wide-open health facilities can be made wisely and economically available for general uncontrolled consultation. Some of the provinces have made provision for annual flat-rate payments for medical and health care, for all recipients of social aid, but others, and, on the whole, those less economically buoyant, find such provisions beyond their means.

It is therefore submitted that:

(1) As part of the suggested Housing Units for the aged, provision be made for the location of clinical services therein to which, together with the geriatric clinics, already proposed, aged persons in receipt of allowance might have access, and

(2) from which, visiting medical internes, and visiting nursing service, (utilizing the V.O.N. where existing), might be utilized for domiciliary care to aged, living in private homes. The cost of such service should be carried, however, within the regular provincial and municipal health services.

The Self-Supporting Aged

These are all submissions dealing primarily with social allowances and services, designed, in the former, to aid income maintenance, in the latter to extend social utilities accessible not only to beneficiaries under such allowances but, in appropriate areas, to the aged and ageing generally.

To the better and more independent functioning of the latter, it is also suggested that this Committee should review the present Annuities Act and regulations thereunder, looking to its amendment in extending the present limit of annuities purchaseable to a maximum more commensurate with its original intent, present living costs and the capital required to assure even a modest guaranteed income.

(*End of Written Statement*)

The WITNESS: First of all my own personal opinion is that we are not clear enough in our thinking and in the provisions of the so-called welfare aid, provisions, services—call them what you will—we are not clear enough on where we are going and what we are doing.

We are dividing aid into two major provisions and one of them, in my judgment, really should not be called welfare allowances for services; it should

be called fiscal payments. Let us face the fact frankly that we are attempting to pump in, to raise the level of sustaining people by deflection of some proportion of the national income, though we may not fix it in its percentage. But, it is a token payment; it is not a payment to provide maintenance or service. You have family allowances as an illustration of that, in my judgment. It is a fiscal payment; it is a token and paid roughly to some section of the population —such as people under 16, or over a certain age.

Then, in between that in what I call the welfare provisions, you have a second series of type of service or provision—contributory benefits.

Now, as I said I have just come back from the United States, but last summer I spent considerable time in England and in Scandinavia. Everywhere one finds serious questioning of the completely contributory principle. I have set forth in this brief some of the things which have changed from the time of its beginning and its development in Germany, its application to Britain, its extension to Europe, and its transfer to this continent. On the changing conditions of today, so complicated are some of the problems which arise out of it that I think we should explore anything in the contributory provisions very, very carefully. I say that with full sense of responsibility that in the 1930's I was perhaps one of the strongest advocates of the contributory system in this country. I know that it is a woman's prerogative to change her mind—and it would be much better for the country if the men would too, and admit it.

Mr. FLEMING: And admit it?

The WITNESS: And admit it, yes. Take England, for instance. You had contributory old age allowances beginning on the basis of 65 and non-contributory at 70. Postwar devaluation set in and other things have happened. The benefit which was purchased through those years of saving is not at all adequate, and consequently a person who has that benefit as of right at 65, and has drawn it for five years, at 70 is in very much worse condition than the person of the non-contributory system at age 70 who is paid on the basis of need.

The approach to out and out flat rate fiscal payments, contributory, is something for you to examine thoroughly over a long period of time, and should not really be called welfare provisions. Welfare provisions I have attempted to put rather carefully in the paragraph on the top of page 2.

My submission is, Mr. Chairman, with all deference, that this committee has to decide first of all the minimum required for reasonably decent living, and actual social utilities—I call them, services—which will assure health, shelter, advice, counsel, and, in general, the well-being of the individual or family group given care.

The end of the road leads to one of those three or perhaps a combination of the second and the other; you can mix them about, but the fiscal payments which are automatically available on the attainment of a stipulated age.

Hence you have the abolition of all means tests and welfare services about the applications, grants, and payments; or, the introduction of some contributory prepayment plan; or the continuance of aid to the aged as part of the welfare allowances and services.

It is on the latter I wish to give some evidence. It is the subject on which I am more competent to speak. I do not know that there are a very great many in the country who can speak with any technical knowledge as to the first or second. The numbers are limited.

I would like here to say something that is not in my brief and that is that your fiscal payments may seem to wipe out the means test. All they do is to make a straight payment across the board as you do in family allowances, tying that to some condition such as age or non-workability. We cannot do

what God did not; we cannot make an absolute equality of ability. Consequently, somewhere if you are going to meet the needs of people you have got to have a means test. The dominion authority may absolve themselves of it by a flat rate payment at a given age. It will go down then to the provincial authorities. The province may seek to make a flat rate payment and it will go down to the municipality. The municipality may seek to do some flat piece of assistance or supplement, and then it will pass over to the voluntary people or to the family. They are not equal; their positions are not absolutely identical; and if you are going to meet human needs you have got to know what those needs are. You can only know that by knowing what the means of the individual are. That has to be ascertained by someone so that any flat payment will require, always, somewhere, the assurance of meeting residual needs for some, and the checking of excess over needs for others.

Now on the tasks of welfare assistance, welfare allowance, and social utilities, I go to page 3 of my brief and, there, I simply give some time to reviewing proof that the problem is not ours—that is very well pointed out in the proceedings of the Institute on problems of the aged, held in Chicago last autumn—"the economic problem of age in a steadily ageing population." Particularly in Canada we must realize this: the problems of age and all they imply in economic and social provisions have been deferred from our experience; they have been creeping slowly upon us since the opening of the century. As a young country we derive a good part of our population in early manhood, not with the aged with them, and we have a high birthrate. Those situations have been changing since about the second decade of the century. The first war with all its dislocation, its pick up of work, its strain on man and woman power, like the second war concealed that somewhat from us; and then you had, in the beginning of the '20's, the beginning of the problem of the worklessness and the dependency of the aged. You had the tenseness of the '30's; the need of the aged was absorbed into the need of the whole stricken population. In fact, in many areas of the west—rural areas, the drought areas of Saskatchewan, and in northern Manitoba—our aged in respect of the fixed grant were among the best provided for—among a population not very adequately provided for. I can speak there from absolute personal experience.

The second world war did a couple of things. It brought the strain and demand for workers and it also sent thousands and hundreds of thousands into the forces, provided military allowances, and took up the slack. Then, you have had the postwar resiliency of the economy until the last twelve months. These things have all kept the situation buoyant on this continent. I think the conclusion of one of the ablest people in the United States in this field, Ewan Clague, Commissioner of Labour Statistics, U.S. Department of Labor is valid:

> Beginning in the 1950's, the problem will begin to gather speed and the following two decades will roll on to full flood in the closing decades of the century. Therefore, we have somewhat less than ten years in which to evaluate the patterns of solution which, as a Nation, we shall adopt. The consequences of the various programs of solution are so widely different that it will be of the utmost importance to choose the best one, and avoid the worst.

That is what I think we should keep in mind.

By Mr. Croll:

Q. Is that applicable to the same extent?—A. I would say so. I speak subject to correction from the Statistical Division of National Health and Welfare. But I would say that at most it would be 7 to 8 years retarded in our experience. I was trying to check on that myself and I think it is reasonably closely applicable to us because the United States peak immigration was, it is

true, from about 1885. They began to clamp down a bit at the close of the last decade of the last century, while our immigration went to its peak about 1922 or 1923. One aspect of that is that our population is aging more rapidly than their normal population now because of the wealth of immigration in those years of people in their early 18's, young manhood and womanhood, and it ages more heavily as you move to newer sections of the country because those people came and passed through and went there. Another thing is there is not the sustaining strength of the family unit behind the family in this second generation in the country. A grave injustice we render to people of immigrant origin is that we say they tend to become more native. In fact they are a network of family communities whose backgrounds are overseas. Those two wars took us into that earlier than it took the United States, and it built up and gave us a sort of shot in the arm in resources to let some of the people get a little further ahead, and I would think it would not be out more than at the most 5 years, subject to Mr. Willard's checking and judgment.

Q. Thank you, Miss Whitton.—A. Then, with that background I would say that nothing would be more valid than a comparison of that with our considerations today and that no matter what our negligences may have been or where we assign responsibility for them in the past, it would be a criminal liability now to rush at a solution without going very thoroughly into what is happening elsewhere in the light that that casts and in the light even that this committee casts upon our considerations here. I think everyone will agree that every Canadian wishes humanely to meet a minimum of human needs of the aged today. But we must first assess their existence and nature. The first realization which social thinking is experiencing in this field is the error that we have been going on trying to provide chronologically by saying that this age is automatic and that at this age every man and woman is deemed to be physiologically incapable of a sustaining occupation when that age may be premature for the physiologically fit, particularly in a farm population, and tragically deferred for the handicapped, broken or infirm. There is a third element, and that is the occupational age. Take the river men or the loggers; they may not be able beyond 45 to 50 to carry on at all in their own occupation, yet they are unskilled in others. On the other hand, men in their 70's may carry on with considerable acceptance and efficiency; and that is another thing you find in your studies today, a review of the whole idea of automatic chronological age. That opens new vistas in the usefulness and happiness of the aged by the development of what has been included under what is known as geriatric medicine.

It is my personal opinion that in the ten years right under us we are making as great development in the field of geriatrics as we saw in the last quarter century in pediatrics. The dominion's National Health Service Plan is practically conceived and, on the whole, competently executed. Through it, clinical resources and intro-mural care are being rapidly extended for the population in health services. That is important. The first suggestion in this welfare area, which is the one we are primarily discussing, is an examination of the Dominion Health Service Plan, the setting up of geriatric grants for training in geriatrics, and for the development of geriatric clinics and units, using both public and voluntary funds, and in assuring resources and treatment for the aged in these geriatric clinics.

I placed that at the very first of the submission because I think we are going to have to come to something more precise than roughly gauged chronological age. An in your geriatric clinics you would have a means to review each case —not just a health or economical means test basis—but on the real age of the applicant. I have developed that idea in the next paragraph and the facilities that would be absolutely essential, no matter how the age may be arranged. Then the more you explore the more you realize that with good geriatric services you can ascertain the circumstances of the aged or aging.

Two factors which keep our population young in North America, as I have said, are: a high, though now declining birth rate, and the large immigration from abroad. As those elements move off, you can see another thing, and that is the extension of the length of life, which is now from 63 to 65 years. Those things have changed the whole population content so that where, in 1900, about one out of 25 persons was 65 years or over, today, one out of every 12 to 13 is in that upper age group, and by 1961 one out of every 8 or 9 of your population is likely to be of such age. We are calling that group old. They are calling themselves old. We are getting to think of everyone who is over 65 as being roughly the age for the automatic operation of aid on an economic basis. But what you will find in the Old Country and in the United States is that the real concern now is the major shift in the population content, that is in the volume of the "mature", those from 45 to 64 years of age. At the opening of the century they were about one in seven or eight, while today they provide about one in five. I think these estimates are valid right across the continent, and that if the aged, aging and mature be taken together they will form, in another decade, about a third of the population. The government ought to take the initiative in this: It is almost impossible for a person to enter employment initially over 45 years of age in many of the federal departments; and many of the provincial services will not take them over 35 years of age. That is one of the causes for serious question of the contributory plan. The more you extend it and bring them under it the less reluctant is the private employer to take a person who has not a long contributory life ahead of him.

Q. Would you please comment—because you are acquainted with the American system—on the reason for their fixing it at age 65, because you are dealing with it now.—A. In the statement which I have from the Chicago Institute they believe that they can carry displacement over 65. But now they feel that the economic system could carry it. That I think seems perfectly logical if your life expectancy is 65 years of age; and if it is extended, a great many of your people will die before they get it, so you can take the risk.

Q. But that was 15 years ago.—A. Your life expectancy then was in the 60 year old group. It is only 63 for men and 65 for women. We live better therefore we live longer.

Q. That is admitted.—A. The interesting thing is that at the conferences which I attended last week, and in bulletins which I received in my mail when I came home, the United States system is now considering an amendment, or rather I should say the other way 'round: an amendment is being considered to bonus the worker who stays at work from 65 to 70. And in England—I speak again subject to verification—I think the practice is to bonus the worker.

Now, in the discussions which I attended in Kansas, I heard opposition to that; that it was completely illogical to tax both production and the individual to retire those over 65 and then proceed to tax the same system in order to bonus them not to retire at 65; and that the reason for it is, first, to hold back the volume of cost which is coming in that group; and secondly, because they are needed and the work is needed. So I think that you will find this question of the 65 to 70 year gap in the revenue is now a live one in the United States. But I think those were the two reasons why a technological civilization is moving on.

I think the Canadian Welfare Council and the Canadian Association of Social Workers both brought it out in their brief. You will realize that the workers loses, even with an income, and that it is a very devastating thing for people who are not physiologically or occupationally old to be displaced. The interesting thing in the United States studies is that the learning capacity of the individual declines very slowly at the age of 60 when compared with the early teens. I think we should study the idea of providing geriatric clinics with re-training, and, if necessary, re-training grants, using all the resources we have developed for our veterans, for taking up vocational work for the prematurely displaced.

If a person over forty-five is displaced today, it is almost impossible for that person to get replaced again. If we offer no solution but some economic aid or social service or allowance, well, we are going to get to a situation where the element of the population supporting the juvenile and the old will not be strong enough.

Now these two things I suggest as essential in our care of the aged, no matter what system we have—system of geriatric services or systems of special placement, training and retraining. They are media of service which are already available; they are working between province and dominion satisfactorily and with local authority; they could be aided, with no change in fiscal or constitutional arrangements. I therefore put them very early in the suggestions.

The next section I discuss in detail is the abolition of the ceiling of income which was roughly fixed at about $1 to $2 in the early stages of old age allowance. Now, the effect of raising the allowance to $40 and not lifting the ceiling of all income beyond $600 has meant that people who were working and adding to their income simply have the choice of either they do not earn more than $120 or if they do they give up something of that maximum $40. Their total stays—I am speaking broadly a ross the board—at $50 a month. Now, I believe, if we lifted that ceiling which, it was intended, should be higher, it would cost in public funds comparatively less. The greater number of people in the larger cities are already at the maximum. They would earn that other $10 a month and it would allow them better living conditions and it would not cost proportionately to the public funds what it would yield in happiness and satisfaction and easing of strain. Related to that there is at the bottom of page 5 and the top of page 6 another suggestion: and that is that this long delay in admission and verification, especially for aged persons who are not attuned like most of us to a statistical civilization that is full of documents, should be done away with. They die while they are waiting to come on the rolls. Of course, they had been living some way before they reached 70 years of age or perhaps after 70 before circumstances changed so that they had to apply for allowance. The death rate is high at that age, it runs over 1,500 a month, I think even in the case of pensioners. Therefore, I suggest that we modify the procedure—I think it would only be administration—to allow a provisional admission to allowances, say to 90 days with a condition that any overpayment would be recovered in the subsequent payments and that any falsification would be punished. That would do a great deal to ease pressures and again at disproportionate cost; the loss would not be heavy. You have facilitated the admission of children to family allowances by putting them on at once upon application, and verifying their birth later. Then there are the two grave, grave problems I deal with on page 4 and page 5, and they are the housing of the aged and the provision of health services for the aged. The aged people think that if they had more money they could get rooms, housing. They could not. A greater number of people do not want to take aged people into their private homes. We do not change with age, we only get more so. It is a losing proposition to take in old persons. They may have accidents, they may become ill, they are likely friendless, they are likely to become dependent and chronic inmates of the house where they board. Our country refuges and almshouses on the whole are drab dreary places. The result is that with the resources contralized in the city for health and enterainment our old people crowd to the city. With a certain knowledge of cities from coast to coast, I would say that the conditions under which they live are a disgrace, an utter disgrace to a civilization that calls itself Christian. There the old people are exploited, they are fearful, they are alone. I think the greatest single thing, no matter what system we are going to have, which we could do would be to make possible the rapid erection of small units, the extension of units we have for the housing of the aged. I would say this should be done

through two plans; through the application of the excellently devised and well working dominion-provincial health plan and the extension on a similar basis of dominion, provincial, and, I would say, not only municipal but voluntary services coming together in the erection of units at so much a bed. I would say that those units preferably should not exceed provision for fifty in numbers and that they should have common rooms, reading rooms, clinics, services like that, so that the old age pensioners within an area living in private houses, and with their own families, could come in and use them. Secondly, and here I argue from experience in Copenhagen, I would suggest that the Central Mortgage and Housing Corporation facilities be used to encourage and develop in its housing plans, accommodation that would be available to the aged. I have gone into some detail in the submission of the mobile one hot meal a day. It is amazing in England how the provision of that has reduced the length of time and the number of people, coming into institutional care. If old persons can have that good hot prepared meal at noon brought around and served they can carry on much longer in their own homes. I think you will find that the legislation governing the Central Mortgage and Housing Corporation scheme is capable of much more adaptation and use than we have made of it.

Then the very great need of course is the health care of the aged and there you have an uneven provision. Some of the provinces which are best able to do so have provided aid, others where the need is greatest have not the resources, and I would suggest, therefore, that as part of the housing units for the aged, assuming we embark on something like that, clinics and services should be provided within them, available like these other communal facilities for the aged. I would suggest also the development of the same principle that has been tried out under a project financed as a dominion health experiment in Montreal, of sending visiting internes out from the hospitals, and using the V.O.N. or other visiting nurses where they provide a nursing service. In those health services I would suggest that the capital cost should be aided under the plan but the maintenance should rest with the province and local authorities. Now, all these submissions deal more or less with problems related to social allowances and services. It is not to aid income maintenance.

I would like to suggest that this committee should consider another point which deals more or less with the self-supporting aged, and that is that the Dominion Annuities Act should be amended to allow the purchase of annuities which is now limited to $1,200 up to $1,800. It takes that increased amount now to provide what the $100 in the Act originally intended to be provided even ten years ago.

Mr. Chairman, I have taken longer than I meant to, but that is the general situation and I will be glad now to answer questions and will try to do so.

By Mr. Croll:

Q. Dr. Whitton, in chapter one you make reference to a direct sales tax. What do you mean by that?—A. Mr. Croll, I would mean this, that we have today a sales tax more or less of eight per cent—

Q. That is right.—A. —and then we have various provinces with sales taxes and we have some municipalities with sales taxes. I think if we are going to make fiscal payments we should pay as we go and that they should be visible in their cost, and, therefore, I suggest that they should either come in a direct across-the-board income tax or that they should come in a sales tax, and that that sales tax if you are making fiscal payments—I will go back on that—if you are making fiscal payments I suggest there that has to be the basis; if they are fiscal they should be federal; they should be federal in their payment and federal in their revenue, and the quid pro quo of the provincial and municipal authorities would be to take over the sales tax and make it direct and visible.

Q. You said, "across-the-board sales tax".—A. No, income tax.

Q. So that we may not misunderstand, you did not mean a graduated income tax?—A. No.

Q. You mean just what you say, an across-the-board income tax?—A. Yes, and I may say there, Mr. Croll, and Mr. Chairman, that I did not put it in here, but my personal opinion is that whether it is federal or social allowances, these are the two sources of obvious taxation which we have. I think there is a third which can be explored, and that is, we should take the principle of the Quebec Public Charities Act and take a direct percentage of the takings from all alcoholic beverage sales and from race track income. Quebec is the only province which makes the vices of other people and its own pay for its virtues, in part. There is a great value in that. It takes in considerable tourist money as well as taxation in Canada; I mean, a tax on liquors and race tracks. I think that there is a real possibility of both taking some portion of the present taxation and of asking the provinces also to throw in a comparable amount.

Q. Do you think the provinces would like that?—A. I do not think they would like anything but one hundred per cent Dominion assumption of all outlay, but not that proportion of taxation. But I do think seriously that there is a possibility there of both taking some of the existing taxation and profits and increasing the costs. The thing is that if you spend on alcoholic beverages you are not spending on essential foods. It is one of the fairest places to tax.

Q. I agree with you entirely but I do not know whether everybody else does or not, but I do.

Let us get at this, Miss Whitton; you have read the highlights of the brief and it is very comprehensive. I know what it means, in fact. Miss Whitton, you said in part of your statement do not rush at solutions; but we are in a position now where we have to have a solution and we have to have it now. We cannot wait any longer. We have got to make a recommendation that will stand up. In the light of that give us the best knowledge that you possess and I know your knowledge is broad.—A. I would say that first you must decide: What are you going to do? Are you going to re-distribute wealth and income in fiscal payments to individuals and call that special services? Personally I object. I think we should do it honestly. I think that we who have, through some years, built the welfare services to a high level of respect and prestige are now taking all the invidious comment which centers about the welfare state when it is really a fiscal state. Therefore, if that is the way we are going to do things, we should set a floor, a minimum, let us say, in the homes or places where children are under a certain age, or where people are over a certain age, or where there are other conditions. Let us say: "We are going to redistribute income and we are going to do it that way." That is one thing to me and it is not for me to advise on it. The other it seems to me is: "Are you going to do that by way of welfare allowances, welfare services, which will divide into two, income maintenances and your social utilities, so called?"

Now, if you are going to do it that second way, you are simply saying: "At this age we are sending a flat amount of money into the hands of every person of that age in the country." As I have said, I think that what we all want to do is to meet the human needs of the people who are old now; and you cannot do that in any other way than by knowing what those needs are. If we were going to wipe out the ascertainment of the needs and make it an across the board payment, I would suggest an exploration of it, because it is the age of the person that we are going to attack rather than the means of the person.

Q. Suppose you attack the fixity of age; I know you did so in the brief.—A. Well, I would say that through our combination of your geriatric services, clinics, placement and reclaiming, we would ascertain it in each individual case.

Q. Dr. Blair is sitting right there. We think very highly of him.—A. I was going to dances with Dr. Blair before I knew you.

Q. But Dr. Blair does not agree with you, and he did not agree with the last witness who said that. We pay considerable attention to his views.—A. Did he disagree on the health test?

Q. We carried it a little beyond and he still did not agree with you as a basis.

Hon. Mr. KING: You are on the spot there.

The WITNESS: Dr. Blair and I both hold a political view in which disagreement is of the essence of growth.

By Mr. Croll:

Q. Disagreement with the whole country, you mean.—A. But I think that you might with justice make a flat grant across the board without knowing the needs of a person. We talk of a means test. It has been plainly and badly applied. Perhaps the obverse of it is the needs of the person. Take for instance the fact that in Canada we have heavy extractive industries. The men who must carry on mining, timber operations, building of power sites, driving of the railroads, fishing, and so on, have a shorter working life. Take the case of the woman who comes into town to market three times a week. She has to be there when business opens. She has been driving, let us say, from 5 or 6 o'clock in the morning and she has been working all night. If we are going to have a redistribution, she has earned her redistribution much earlier than I have; she needs it. So I say that if we are going to try to apply a measurement like that and try to make it a measure of age or anything else, let us look into the length of the worker's life.

Q. Do you not think we have failed in using the measure you suggest, and that the people of Canada think we have not done a good job with these old age pensions?—A. I would think that the people of Canada think so. But if you compare the situation across Canada with what has been done, on the whole we have not failed to the full extent that public opinion thinks that we have.

Q. In the light of what we have learned in this committee, we would agree with you on that. But we still have got the public mind to consider. We are here as a result of the public mind. We must consider what is in their mind. How do we get it out of the public mind?—A. I think that if you have been able to ascertain that, you will have come to a radical conclusion.

Q. No, there is no conclusion. I am only speaking for myself.—A. I say that, first of all, this committee should make an impartial assessment of how much is good and how much is bad of what we have done and then try to say where it was and then try to take steps to correct what is bad. I have read Professor Cassidy's evidence and I would agree with his priorities. I believe what we want to take here first of all is the health grants for the health services, and then housing for the aged. What the people see is the bad. They see these old people unhappy, ill clad, ill housed, without adequate food and shelter and friendless. And they see them in the cities, in those awful places that people buy and put them in; and the unthinking public thinks that if you give them $20 more across the board that you could correct that situation. I say you could not. You cannot buy housing. You cannot buy health care within the capacity of a large part of the people.

Q. You and Professor Cassidy—I did not hear anyone else—have made certain suggestions to the committee in the light of your experience in the social world, and you have had a greater experience than we have had. On the other hand every conceivable organization in this country of any standing has appeared before this committee, such as the insurance men who presented an excellent brief which is worth reading. All of them came here and the one thing they said first was: "Do away with the means test." You can see their thinking there, and you can see what they are thinkng about.—A. Yes. The insurance brief provides, in my judgment, an entirely fiscal payment policy.

Q. Yes.—A. It is not concerned with welfare.

Q. None of them is, I think.—A. That is why I say: What are you going to do? That is your decision. Are you going on honestly to redistribute, wealth? You could redistribute wealth to all people over 70 years of age at the rate of $40 a month and take it off through some form of taxation. That is a line which you could follow. It would take a great deal of time. First of all, both as to tax sources and distribution you will have to have constitutional conferences and constitutional change. But you have all these old people at the present time.

Q. It does not follow that we need constitutional changes if we do it with an income tax system. I do not think it follows.—A. I would think that it would be implied because you are taking over a field which is in the hands of the provinces. It is different from family allowances. Your family allowance was only a token payment. It is not something for the maintenance of children. It is a token payment. I suppose it could be called, in the new category, an incentive grant. But on the other hand you have in your old age allowances a principle of maintenance. If you were going to take it over—and do not forget this; I am not presuming in being so emphatic about it—you have a tremendous machinery for administration in the provinces, in the ascertaining of payments for old age. You know, there is nothing more tenacious of vitality than a government department once it is established; and you have all that. What are you going to do? You have got that enormous equipment for cheque writing, and for mailing; is it going to be taken over, is it going to be used? That is why I say: for all that thing you have the administrative details which would take perhaps two years to put into effect, which could be turned over in less than one year; and when you have done all that, and when you have shot this $40 across the board, you are in the same situation as you are with the family allowances. After health, after housing, after medical care and after everything else, these aged people must go out and try to purchase it themselves or buy it from the social utilities of the province, of the municipalities or of the voluntary agencies. So there is a human need; and I say that if it is to be policy at the very highest level, are you going to redistribute wealth?

Q. Are we not discussing priorities? Assuming that we are thinking of that "across-the-board sum" whatever it is, you say that we ought to look after housing and health and other matters first. But what we are discusisng at the moment is the matter of priorities, what we think it is possible to do now and what is possible to be done some time in the future?—A. I make no commitment on my own judgment in respect to fiscal payments.

Q. But you said you agreed with Dr. Cassidy?—A. With respect to priorities, that is all.

Q. But isn't that what we are discussing at the moment?—A. I would say it would be in respect to this: What would bring the greatest economic relief to the needs of the aged?

Q. That is exactly the problem. What do you think? The problem is an economic one. We have got to deal with it so as to bring the greatest economic relief and at the same time establish a foundation for the public?—A. I would say this: That within 60 days of your policy being decided as to federal participation in housing of the aged, with respect to health of the aged, on the same basis as the Dominion-Provincial Health Plan, and the lifting of that ceiling and the provision of provisional allowances you would have a great improvement in the condition of the aged who are actually in need, and that you could have that mechanism going before autumn.

Q. We anticipated that this will be going after the Dominion-Provincial Conference, quite seriously.—A. How would you impose the taxation? Would you do it by radio?

Q. Do not worry. Whichever way we impose it, it will take in all the country.—A. We did not go into principles of legislative enactment. But whatever

you do you are going to have to do that, and I am interested. I think if you should get in hand the opinions about the way you are going to do it, and the cost of it. The figures of Dr. Cassidy's estimates indicate it would take 5 per cent of the sales tax for aged, 5 per cent for the health services, and 1 per cent for the general services. He overlooked the heavy incidence already on the sales tax or the equivalent of it which is absorbed in existing services and in family allowances. I think you will come somewhat nearer to Mr. Anderson's estimates in both those taxes. You have got federal aid for education. I do not think that we are in a position—the people of Canada and you their representatives at the Dominion-Provincial conference—to say what we can carry within the next short period of time. I am therefore anxious to see carried the things that we can carry at once; and it does not set aside, and it does not divide it with respect to a more rapid and efficient introduction of proper schemes.

By Mr. Noseworthy:

Q. Dr. Whitton, I take it for granted then that you would advise or would set out first to provide housing, some health services, retraining services, those you have mentioned. You would leave the old age pension as it is with the present means test, and you would provide provisional grants on some further means test for those who need more than the present old age pension provides. Is that a fair statement?—A. I would say you should continue to explore with your Dominion-Provincial conference adjustments in respect to the operation of the means test and how you are going to finance the other things. You see, I think there is another avenue that we have not been exploring, and one which I have not seen in the evidence, and that is: We are all thinking—as they have it in most of the evidence that I have been able to read; I have been out of the country and I just got back yesterday—we are all thinking of a federal plan, federally provided and federally administered predominantly.

Q. We are not thinking of any special plan.—A. I was thinking of the implication, and I think it is perhaps a fair inference to draw; that there will be more federal assumption both in cost and in administration. Personally I do not think—and I never have thought—in my experience that the constitution is wrong in leaving administration of the health and social services close to the people. In the provincial services, I think we have done far too much thinking in this country, all of us, along the line of trying to make the life and institutions of our social structure fit the fiscal system that is set forth under the constitution instead of trying to adapt the fiscal system of the constitution to the needs of humanity. I think therefore there is another possibility and that is: Suppose we adopt the premise—and let me re-emphasize the point that the method of financing matters not—the need of the individual human being exists, and that it is different in the case of everyone and that somewhere it has to be ascertained and the place to do it is where the person lives.

Q. Might I now go on to my next point. Let us recognize that no matter what we do, we are going to have services. I think Mr. Croll brought it out somewhere; that for a great number you are going to have to supplement payments to the 65 to 70 group; and if you make it 70, then there is the position of the woman, the position of the non-wage earner head, because you can no longer assume it is a man. Let us take it this way: You are going to find that anyway; and the great resources of social utilities are the possessions of the provinces, the municipalities and the voluntary agencies—voluntary agencies, more in this country, with the part they play in the province of Quebec, than in almost any state in western civilization. Now, here is the other thing I do not think we have explored: what about taking this broad measurement that you indicated earlier, 65 years of age; that is roughly the life expectancy at the moment. Make that the division and on the basis of the census fix some flat rate, say $200 a year per

person of the whole population at 65 years of age; let that be reviewed every three years as the provinces review their mothers' allowance payments in the light of the cost of living and the population. Give that as an out and out federal fiscal payment to the provinces, and let the provinces develop their own entire program for aged and aging, let them do it in flat rate fiscal payments, let them vary their age up and down, their services up and down, their utilities. Do it in dominion-provincial conferences; it is what we are doing with some considerable success between dominion and provinces with regard to the hospitals; it is what I think we shall do in the medical and health services when they come. I am not saying this would be the answer but I am saying we are not looking at the whole picture. It occurs to me that in Britain and in the Scandinavian countries as I recall, and in any country we have studied—and you know what countries we have studied—they have always followed the course of making the money provision first for the individual and then following it up by health, supplementary, and housing grants. I recall that in the Scandinavian countries that has been the plan, and that has been the American thinking up to now, and maybe this committee is thinking along the very same lines. I know I am, I do not mind telling you, but I am not here to impose my views on anyone. Would you mind commenting on that in view of what you said a few moments ago?—A. I wonder if that is exactly the situation? In England there was an enormous extension of the infirmaries, of homes, of almshouses before the cash payment. I think from the Bismarckian development in Germany in the 1870's and 1880's along about there, your contributors spread rapidly.

Q. But the United States, before it introduced the old age payments, long before 1935, always had the cash payments in the States?—A. They had social assistance.

Q. Yes.—A. I am talking still of that, that is your welfare allowance, that is what I am talking about, I am talking of the two things.

Q. We were talking about priorities. You would be continuing your welfare allowances as you are all the time. You would be developing that service within other services?—A. You would not be discontinuing it?

Q. No, we were not thinking of discontinuing it, no one had thought of that. As a matter of fact, we had considerable evidence as to what they were. I indicated to you broadly what I thought our thinking was and you said that you had agreed with Dr. Cassidy in that our emphasis should be on housing and on health rather than on the cash payment, that is what I understood you to say.—A. Yes, and modifying the cash payment as the very first step.

Q. My question to you was that in these other countries there had always been the cash payments first. Before the emphasis on the housing, before the emphasis on enlarged health grants, there had always been a basic amount every place, but always before the emphasis was placed on these other matters.—A. That is the sequence in our life in Canada. We started with a $20 payment and that is what I say, we have found and we are finding out the plight of our aged, who are bringing this pressure, and in behalf of whom our own humanity is roused. It will not be met by more cash grants without these other utilities accompanying it parallel. Today, supposing you remove the means test and make this flat grant of $40 at 70 years of age, I have not the statistics but I would say in Ontario and in British Columbia it would not make one iota of difference to the great number of people who are enjoying it, they are at their maximum now, they are not able to earn or work. The last time I had access to the files of the province of Ontario, I would say I found a very large number were at the maximum.

Q. But the figures do not bear you out. There are only, I think, at the most, about 60 per cent of the people in Ontario who are getting the maximum.—A.

Well that is more than 50 per cent. So, to these 60 per cent would it make any difference whatever? I say it would not make any difference.

Q. It would to the other half.—A. That is what I say: but with respect to this 60 per cent, you will find the pressure from this 60 per cent is 60 per cent.

Q. Then do you think we ought to vary the amounts as between cities and country and semi-rural areas?—A. You cannot do that from a federal angle, that is what I say, and some one will have to pay, Mr. Croll, the supplementary has to be there; $40 in say, Hameota is a different thing from $40 in the city of Winnipeg. $40 in Winnipeg will barely provide housing. That is what I say: even if you lift the means test and make a flat $40 payment there are all these people to whom this additional payment will not make one dollar's difference. They cannot buy the things they need.

By Mr. Ferrie:

Q. What percentage of the population will that care of—what you are talking about?—A. I have not the exact figures. 60 per cent are at the moment.

The CHAIRMAN: 80 per cent in Ontario.

Mr. KNOWLES: 80 per cent of those drawing the pension.

The CHAIRMAN: Yes, 80·9 per cent in 1949.

Mr. KNOWLES: But the total percentage of those drawing the pension to the total population is only about 40 per cent of the population 40 years and over.

By Mr. Croll:

Q. And there are many who do not apply for it?—A. There are a percentage of them. What they need, Mr. Croll, is money, although if you had what Dr. Cassidy points out, if you had health service, if you had housing available within reasonable small incomes, they also would make their money go further. I am telling you that the people are suffering just as much in this country, and large numbers who are suffering just as much as those who are not in receipt of the aid at all are among some of the many of the 80 per cent who are at the maximum.

Q. But what about some of the provinces not supplying medical care to aged?—A. It is not limited; it is not hospitalization; it is, if they are indigents.

Q. No, no, they get free medical care in the province of Saskatchewan if they are old age pensioners over 70 years of age.—A. Well, it is not complete medical care; they get a measure of medical care; it is specified in here what they get and it is not what you would get in geriatric services. In those provinces they are better off but their housing is not—

Q. The housing question in the three western provinces is not serious.—A. The housing there is more deplorable, and I say it realizing that in one of them I went to court for saying the same thing; the housing in some of the western provinces and western cities is more appalling than it is in the waterfront of the maritimes.

Q. Which cities do you mean?—A. I have privilege under the Canada Evidence Act here, Mr. Chairman.

By the Chairman:

Q. With respect to the people who are receiving pension under the Old Age Pension Act in Canada—I am taking the pension as it is, at $40 a month—could you tell me how much of that $40, according to your experience, is spent on goods and how much on services?—A. How do you mean, on things such as food and clothing?

Q. Yes, how much on goods and how much on services?—A. Well, I would think that the Canadian Welfare Council's statistics would be followed in any knowledge I have. I would say that it is nearly all consumed in the absolute minimum of providing food and clothing and shelter.

Q. In goods?—A. In goods, yes, except in the rural areas. There is another thing now happening in the west and all down through Illinois and the western states. In rural areas, a very sad thing is happening. The young people have been leaving the farms and you have left an old couple. While they could get help they could carry on; while they are together they could carry on, but one dies, the other cannot carry on. They cannot get help. The same thing is going on all through the hinterland. In those areas these people cannot get housed, and so they crowd into the cities and that is what is happening. For instance, the whole agricultural belt of southern Manitoba and Saskatchewan, I think you would agree, is changing through large-scale farming.

By Mr. Ferrie:

Q. Do you think you would remove that if you took away the means test?—A. No, no, but what I was going to say is that you have got these old people crowding into cities because there is no place to live.

Q. And if you put small units— —A. If you put a unit at Estevan, at Prince Albert, if you put a unit down anywhere on the Sault line, small units in which these older people could live, that would allow your money to go much further.

Q. But that is neither fair nor practical for the simple reason you cannot take these people away from their friends and put them 200 miles away and let them stay there. It would be the same as putting them in jail.—A. I am not saying you would exercise any power at all, what I am saying is instead of the poor, old bewildered person left alone on a blown out farm near Laing, say, they do know where to go; they cannot take care of themselves locally. Instead of the one or two great big units for housing that you have in Regina or Winnipeg or other centres, if you were to build small units here and there they could stay in their home districts.

Q. I agree with you there to the point where these people are destitute.—A. It is not a question of destitution, it is the question of an actual place to live.

Q. Nine times out of ten those people are living in hospitals.—A. That is exactly one of the questions, and, as the honourable minister can bear out, it costs $10,000 to provide a bed today, and their daily upkeep cost is up to $10 to $12 a day. One community in British Columbia has a price of $21 a day. I was in a hospital in Ontario, in a prosperous farming area where 38 of the 120 beds were occupied by old people who had no place else to go or live, and there they were occupying a hospital bed at a cost of $8 per capita per day. They were looking for a building which they could equip, a smaller unit in which people who only needed housing as aged and not care as sick could be accommodated. That would greatly reduce the cost. I think that the dominion should participate in the capital cost of such small units erected on a regional basis. That is my idea. Carry it forward to small units and you are going to reduce the cost to the municipality and the province because it will cost less to provide that supplement of care, and I think you could really add this sort of construction to projects in areas where there is unemployment, and especially in the north.

Q. Do you think the government should provide those houses; that they are the ones who should put up the money?—A. I think just as we are doing in the hospital field we should go in on a three-way stretch in that, too.

Q. The three-way stretch is surely wrong.

Mr. Croll: What are we talking about in this three-way stretch? I am interested.

By Mr. Ferrie:

Q. If you get into the three-way stretch you are throwing the taxing back into where we do not want to go, if you make up 20 per cent by the dominion government, 20 per cent by the provincial, and 60 per cent by the municipality.—A. No, I am not talking of the beds.

Q. It is the beds I am talking about. They cost you $6,000 for a bed today in the western provinces and a municipality has to put up $4,000 of that money?—A. Well, it is exactly what I am saying. You are doing it on hospitals to house the aged and you can have beds for the aged anywhere up to fifty per cent of the cost of a hospital.

Q. Oh, no, you could not.—A. I only speak with the authority of two or three of the provinces, and they likely need their accounts audited, perhaps, but those are the figures that have been given to me.

Q. A contract that we had for a proposition similar to the one you are talking about, came up to within $200 per bed as between the hospital and the kind of home that you are talking about, where you can house the aged. It was within $200 a bed.—A. They must be talking of chronic units.

The CHAIRMAN: Mr. Ferrie, I wonder if we should continue this discussion as to the possible cost of building and providing beds for aged people in institutions other than hospitals. The principle is there, and I believe with Dr. Whitton that every member of the committee will agree on the principle of the matter. Are there any other questions?

Mr. NOSEWORTHY: I did not get an answer—

The CHAIRMAN: No, Mr. Croll intervened.

The WITNESS: I want to say this, when you are coming to the abolition of the means test at any stage in any group I set it aside as raising the question of a redistribution of wealth.

Mr. NOSEWORTHY: Is there anything wrong with that.

The WITNESS: That is what I say is your decision, and if there is nothing wrong with it the people of Canada will support it, if there is nothing wrong with it you can report it unanimously to the House.

The CHAIRMAN: If you were a member of the committee what would be your decision?

The WITNESS: If I were a member of the committee I would be a member of the House and I think I would be as dexterous as the members of the House in avoiding a direct decision in the matter.

Mr. NOSEWORTHY: Not as dexterous as you are now.

The WITNESS: As a matter of fact, seriously it is not a question on which I am an expert. I could give you nothing but opinions and I do not think my opinion on that subject can rank high. I would not like to think that what I say here I say from definite knowledge.

I think you have had people competent to advise you on the fiscal implications, and I think that is what you have to decide—but I will say this: no matter what you do you have got to do these other things, some of which are immediately within our capacity.

Mr. KNOWLES: You probably realize that when Dr. Cassidy was here the other day Mr. Fleming tried to pin him down as to which should come first, the abolition of the means test or the continuation of health benefits, and Dr. Cassidy's reply was that it was difficult when you wanted both.

Mr. FLEMING: No, he said that with reference to a broader question of priority—and he was speaking about things he would do if he had a limited

amount of money, $200 million—before he would make an enlargement of the old age pension scheme he would put first health and then he spoke of public assistance and said he would rank both of those ahead of increased old age pensions.

The WITNESS: In Professor Cassidy's public assistance would be included my general inclusion of social allowance for income maintenance. I think of it as social allowance for income maintenance in any group, rather than simply public assistance. Public assistance has a more specific meaning in my thinking but again, I come back to this question that I think there is another thing that is involved, even if we change the constitution. No matter what you do in cash, no matter what you do in the redistribution of cash grants, you are still going to need for some people more money, as well as services. Are we on the right line in thinking, if we deflect this very large proportion of the national income—

The CHAIRMAN: Small, it is only 3 per cent.

The WITNESS: Only 3 per cent of the national income but with that there is another 3 per cent for family allowances; another 3 per cent roughly for your hospital care; and there is another considerable percentage in welfare all across the board, across the country. You have got to go into that and say how much you want to deflect and how much you can deflect and I still think that doing that you will find, and all evidence would support it, that you cannot get away from ascertaining the needs of people, what means they have; and, in a humane society, you have to provide whatever funds you require to provide.

I think we are too obsessed with thinking of this running in the lines we have been following, of more and more federal assumption. There is this other thing quite worth exploring, especially as I judge your submissions are for consideration by the dominion-provincial conference, as well as by the House and the Senate. You think of making the provinces the key authorities or retaining the provinces as the key authorities in welfare, and trying to come to some straight per capita payment that would be made to a province. One province's need would be different from that of another. If one province wished to bring in a straight across the board payment at 65 or 70, another province might make it smaller and have supplementary allowances at need. You may be sure that the provinces would adjust it to the need. I do not think it is necessary or I do not think we have yet gone into the matter to know thoroughly which is the best result that we can get for what we have to spend.

The CHAIRMAN: An objection to that system Dr. Whitton is shown in the following incident: at the last provincial election in Quebec I remember a present minister of the Crown who had in one hand an income tax form shaking it and saying "Look at these Ottawa people, taking your money away, taxing you terribly," and on the other hand: "Look what *we* are doing; we are paying you old age pensions."

Mr. BROOKS: You should have been in Newfoundland in the last election, Mr. Chairman.

The CHAIRMAN: There is politically a danger of one government collecting the money and the other distributing it.

The WITNESS: I was in Saskatchewan during the election. Someone was waving this thing and saying: "2 per cent off a pair of shoes is taken from you by the Saskatchewan Government. Here is your baby bonus cheque, given to you by the dominion."

The CHAIRMAN: That also goes to prove my point.

Mr. CROLL: We are getting into a wide field, Mr. Chairman.

The CHAIRMAN: Dr. Whitton, the members of the committee join with me in thanking you. We were greatly interested in your evidence and I am sure it is going to be useful to us in the drafting of our report and in arriving at a decision. We wish to thank you very deeply.

The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 27

TUESDAY, MAY 30, 1950

WITNESSES:

Mr. Leslie A. Mutch, M.P., Parliamentary Assistant to the Minister of Veterans Affairs.

Col. F. J. G. Garneau, Chairman, War Veterans Allowance Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

TUESDAY, May 30, 1950

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Horner, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Blair, Brooks, Brown (*Essex West*), Corry, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver.

Hon. M. F. Gregg, Minister of Veterans Affairs, was also present.

In attendance: Mr. Leslie A. Mutch, M.P., Parliamentary Assistant to the Minister of Veterans Affairs; Colonel F. J. G. Garneau, Chairman, War Veterans Allowance Board; Dr. G. F. Davidson, Deputy Minister of Welfare; Mr. J. W. Millard, Director of Research, Department of National Health and Welfare; Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance.

The Chairman submitted to the Committee communications received from Professor John S. Morgan, of the Canadian Association of Social Workers, and Mr. R. E. G. Davis, of the Canadian Welfare Council, drawing attention to errors in the printed record of their evidence given on May 12, and May 17, respectively.

On motion of Mr. Laing,

Ordered,—That corrections be made in this day's proceedings. (See "*Errata*").

Colonel Garneau presented a brief on "War Veterans' Allowances in relation to Universal Pensions".

The brief was taken as read and appears in this day's Minutes of Evidence.

Mr. Mutch and Colonel Garneau were examined thereon.

At 4.45 p.m., proceedings were interrupted by the House of Commons division bells, and, the witnesses being retired, the Committee suspended its sitting until 5.15 p.m.

Mr. Sharp was recalled.

He submitted a statement supplementary to the one presented on May 24 on "Financing a Program of Old Age Security for Canadians" and was examined thereon.

At 6.00 p.m., witness retired and the Committee adjourned until Wednesday, May 31, at 4.30 p.m.

R. ARSENAULT,
Clerk of the Committee.

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ERRATA

Page 702, line 30, add the word *"not"* between the words "does" and "becomes", the sentence to read: I think it would be a compulsory scheme in law —that is it would apply to everybody and the compulsion on the self employed person is that if he does not contribute he does *not* become entitled......"

Page 704, line 11, for "30" substitute "13"—to read:......"a further life expectancy of 13 years".

Page 712, line 7, for the word "all" substitute the words "not always", to read:......"but I think not always for all services".

Pages 701, line 44, 703, line 47 and 704, line 17, for the word "Sweden" substitute the word "Denmark".

Page 804, beginning in third line of third paragraph, substitute the following:

A. We did suggest in one part of the brief that there may be a place in a total Canadian system for a supplementary form of insurance wherein the Government will not be involved except to facilitate it by some kind of central operation. Such a secondary fund might serve to tidy up the situation with respect to present industrial pension plans, and we would have no objection to it. We feel, however, that the first responsibility of the Government should be to see that everyone gets the basic floor which we take it would be set at the minimum necessary for health and welfare.

Page 812, for eighth paragraph beginning with line 23, substitute the following:

The WITNESS: It is apparent that more study and exploration are necessary to find out what sort of test best meets the requirements of this particular group. We have made certain suggestions along the lines indicated and I think that is about as far as we can go now.

Page 812, for the last paragraph running into page 813, substitute the following:

The WITNESS: No, our program assumes there will be an effort on the part of the Federal Government in the first instance to maintain high employment in the country. We know that during the war old people whom nobody thought could do anything were very active in the labour market, and the unemployable problem largely disappeared. It was only people who were suffering from some serious physical or mental defect who were not drawn into the labour market. Another thing we suggest, which involves the co-operation of labour unions and employers throughout the country and the Civil Service Commission as well, is a changed attitude toward the employment of older workers. It may be interesting to note with respect to the Civil Service Commission that they refuse to take into employment persons beyond a certain age. True, the regulations have been relaxed a bit recently but they still do not permit taking on persons beyond specified ages for various categories of jobs. Under conditions of full employment, and with improved employment practices, we think we would be able to reduce the number of people in the 65 to 70 group needing a special pension. We believe a lot of people in that age group would prefer to go on working and that efforts should be made to find useful and profitable employment for them. One of the bad features of most pension plans is that they force members of this group out of the labour market.

Page 818, for seventh paragraph beginning with line 22, substitute the following:

> The Witness: It means money and the money has got to be raised, but if you ask us how to raise it, there are so many economic and fiscal factors to be reckoned with that we do not feel competent to pass judgment.

Page 818, paragraph 8, delete the first four and a half lines ending with the word "citizen" and substitute therefor:

> I will add this as a footnote: The great strength of the contributory program is this: it placese responsibility on the individual citizen.

Page 823, beginning in the third line of paragraph two, for witness' answer, substitute the following:

> The Witness: No, I think there has been a change in thought throughout the country. Family allowances have been mentioned; they have made an important contribution to social security thinking in this country. I recently heard an American social welfare leader say apropos of family allowances: 'You in Canada have skipped the insurance stage.' We did skip it in our family allowance program and our action in doing so was approved by most people.

Page 823, delete paragraph four commencing with the words "The Witness".

Page 823, fourth line of paragraph five, in the sentence beginning with the words "I think it can be said......" delete the words immediately following the word "view" and substitute: "is more or less secondary; if not non-existent it is on the decline".

Page 824, delete the three first paragraphs, and substitute the following paragraph therefor:

> The Witness: Taking everything into account the use of contributions earmarked for old age pensions seems to me to be desirable. If, however, this method is used I should like to see the bulk of the cost of the program secured in this way.

Page 824, delete the fifth, sixth and seventh paragraphs beginning with the words "The Witness" in line 19, up to the words "The Chairman" in line 28, and substitute the following paragraph.

> The Witness: The answer would depend on how large a proportion of the $385 million required to finance the program could be raised by a tax with such a ceiling.

Page 824, delete paragraphs nine, ten, eleven and twelve, and substitute the following three paragraphs therefor:

> The Witness: There is logic in that. The figure I have here which comes from a relatively reliable source is $35.56 a year—I may be wrong on this figure but that is what it looks like in my writing—that would be the amount required annually over 40 years to produce an annuity of $40 a month at age 70.
>
> Miss Govan: I think the figure is $3.52 per month.
>
> The Witness: I think that is what it is but even so it is a very small amount. It would not be enough to pay the full cost of the scheme; it might be impossible therefore to set the limit of $5,000.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
TUESDAY, May 30, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairman) were present. Mr. J. Lesage presided.

The CHAIRMAN: Well, Senator King, Senator Fallis and gentlemen, I see a quorum.

The program for this afternoon is that first we will hear Colonel F. J. G. Garneau, Chairman of the Veterans' Allowance Board, and he will be assisted by our good friend Mr. Leslie Mutch, Parliamentary Assistant to the Minister of Veterans Affairs, who has been good enough to attend.

Now, our intention was to hear you gentlemen for some time and then Mr. Sharp will be in attendance a little later to give to the committee supplementary information that was requested from him last week.

I have received a letter from the Canadian Welfare Council and also from the Association of Social Workers of Canada, drawing attention to certain corrections they would like to have made in the record. Their requests will be noted by the clerk.

Now, Colonel Garneau, would you like to make some opening remarks, or should we proceed with questions right away?

Colonel F. J. G. Garneau, Chairman, War Veterans' Allowance Board, called:

Colonel Garneau presented the brief which follows:

WAR VETERANS' ALLOWANCE IN RELATION TO UNIVERSAL PENSIONS

The War Veterans' Allowance Act, under which allowances may be paid to certain eligible veterans at the age of sixty, or earlier if their physical condition prevents them from earning their own living, was brought into effect by the Canadian Parliament on September 1, 1930.

The passage of the act followed lengthy studies and consideration which began in 1928 by Parliamentary and other committees of the situation in which many veterans of World War I found themselves as a result of their front line service.

In effect war veterans' allowance is an old age pension payable to a veteran with service in a theatre of actual war ten years earlier than he would be able to qualify for the normal old age pension available to all at age seventy. It was originally made available only to ex-servicemen with service in a theatre of actual war because a great deal of evidence was produced to the effect that the hardships of front line service, the constant strain to which a man in the trenches was subjected, brought about premature aging. In the words of a resolution passed by the Canadian Legion at that time the Parliamentary Committee of 1928 recognized "as one of the most serious situations confronting the country generally" what was referred to as the problem of "broken down or burned-out men" wholly or in part non-pensionable.

The object of the legislation was to provide assistance to the aged and/or totally incapacitated veteran whose resources or income were insufficient to provide for his adequate maintenance. In this will be clearly seen a similarity of objective with old age pensions or with any plan to provide pensions for the aged.

The conditions generally were that the applicant must be over sixty years of age or permanently disabled from a non-pensionable condition, must have had service in a theatre of war or have been awarded a disability pension of five per cent, or more. Under the act as originally passed in 1930 the rates were $20.00 per month for a single veteran and $40.00 per month for a married veteran. Certain additional income was allowed, but with the proviso that the total income with the allowance should not exceed $365.00 per year for single veterans or $730.00 per year for those married.

Through the years the amount of the allowance and the conditions under which it is granted have been revised and amended according to need but always to the advantage of the veteran. In 1936 eligibility was changed to cover those reaching 55 years of age and incapable of self-maintenance because of a disability, pre-aging and general unfitness. This change however applied only to veterans with service in a theatre of actual war, and it was not until 1946 that those veterans who had not served in a theatre of actual war and whose qualifications for War Veterans' Allowance was a disability pension of five per cent or more were brought into this classification. Prior to World War II the veterans who benefited by this change were generally in the older age groups, but since World War II it has been of very real benefit to the younger veterans with non-pensionable but serious disabling conditions.

In 1938 eligibility was again changed to cover those veterans unable to maintain themselves because of a combination of economic handicap and a disability.

A second major change in the Act in 1938 brought Canadian veterans of the South African War under its provisions. Between 1941 and 1946 many changes were made; allowances for widows, orphans, the North West Field Force and dual service were initiated; a supplement to the allowance in needy cases was provided; medical treatment for veteran recipients was made available; exemptions concerning the allowable income were broadened.

Finally the Act was re-written in the form of the War Veterans' Allowance Act 1946. Since that time the rates have again been increased and at present are $40.41 per month for a single veteran and $70.83 per month for a married veteran.

The means test, as it applies to the allowance, has also undergone changes. At present under the Act the recipient may have an equity valued at $4,000, in a home in which he resides. He may also have, if single, regular income of $125 annually, or, if married, of $250 annually, before any reduction is made in the full amount of the allowance. If regular income exceeds this amount the amount in excess is deducted from the amount of war veterans' allowance which the veteran may be paid.

In addition to his regular income, which may come from sources such as a small disability pension, superannuation, annuities, or regular part-time employment, the veteran may also have casual earnings, but they must be of a casual nature and cannot constitute a regular source of revenue.

In the Fall and Winter of 1948 and 1949 there was some evidence that certain veterans on War Veterans' Allowance, who had no other income, were finding the allowance not adequate to take care of their needs and as a result there was pressure for a general increase in the basic rate. It was felt that before any increase should be granted the facts should be ascertained and there was also a further consideration that the basic rate for War Veterans' Allowance should be comparable to the rate for Old Age Pension. To ascertain the facts a survey was made on a very broad scale by the Welfare Division of the Depart-

ment of Veterans Affairs. This survey showed that in the majority of cases, particularly where the veteran had some other income, War Veterans' Allowance provided sufficiently for the veteran to maintain himself and his dependents. However, in about 25 per cent of the cases, particularly those recipients living in urban centres where rents were high, it appeared that some additional assistance was necessary.

Accordingly, in April 1949 a special assistance fund was set up to provide further aid for those allowance recipients who were found to be in particularly needy circumstances. From this fund, assistance to the amount of $120 per annum for a single veteran, or $180 per annum for a married veteran may be granted in addition to the allowances, provided the overall maximum allowable income of $610 per annum single, or $1,100 per annum married, is not exceeded.

Throughout its history the allowance has been a liberalized and accelerated old age pension, and the basic consideration has been that the individual is awarded War Veterans' Allowance at an earlier age than he could secure Old Age Pension, this because of the fact that his war service did result in his ability to earn his own living being terminated before the average termination age.

In considering contributory pension plans the veteran eligible for war veterans' allowance may not understand why he should now be asked to contribute to provide for himself security which the War Veterans' Allowance Act already offers.

A further factor in considering the relationship of war veterans' allowance to a contributory old age pension legislation is the fact that the veteran recipient of war veterans' allowance has full eligibility for treatment for any condition in a Department of Veterans Affairs hospital. He receives identically the same treatment as though he were in receipt of a war disability pension and being treated for his pensioned disability.

The number of *veterans* in receipt of war veterans' allowance is slightly over 26,000. This represents less than 2 per cent of the veteran body as a whole but represents at least 25 per cent of the veteran body over 60 years of age who had meritorious service. World War II veterans alone form, it is believed, approximately one fifth of the total male Canadian Labour Force; but this is not surprising when it is remembered that approximately 40 per cent of the male population between the ages of 18 and 45 years served in the Armed Forces.

Expenditures for the allowances have gradually increased over the years and for the current year are expected to be almost 22 million dollars. In addition to this a further $2\frac{1}{4}$ million dollars will be required to meet the amendment now before the Commons which will make other British and Allied veterans with 20 years residence in Canada eligible for the allowance. The Special Assistance Fund is expected to require an additional $\frac{3}{4}$ million dollars.

An estimate has been made that, based upon present numbers of recipients over 70 years of age, a decrease of approximately $3\frac{1}{2}$ million dollars would occur should an Old Age Pension of $30.00 per month without the means test be paid to all over 70 and the allowable income ceilings under the War Veterans' Act remain unchanged.

In the future the number of veterans receiving these allowances is expected to increase considerably since only during this decade will the maximum number of W.W.I. veterans reach 60 years of age. Then gradually as old age takes its toll of the W.W.I. veteran the W.W.II veterans will take his place in the potential number eligible for the allowance. The thirty years between the wars will be reflected in the times at which the peak numbers will be eligible for the allowances so that the W.W.I. peak of the 1950's will be repeated by a W.W.II peak in the 1980's. These figures are shown in detail in the appendices attached.

The anticipated peak of potential eligible veterans of W.W.II will be three times as large as that for W.W.I. This does not mean necessarily that the number of recipients will be three times as large since much will depend upon economic conditions at the time that peak is reached. Further we trust that the more complete system of rehabilitation carried out after W.W. II as compared with that in the post W.W.I. years will enable a greater percentage of the veterans to become satisfactorily established in civil life so that they will not require this type of assistance at the time they reach 50 years of age or more.

Reference was made previously to the fact that widows became eligible for the award between 1943 and 1946. Actually they first became eligible in 1943 under an Order-in-Council but the provision was incorporated into the War Veterans' Allowance Act when it was amended in 1946. Prior to the Order-in-Council a great deal of evidence was secured to indicate that the widow of a veteran who would have been eligible for War Veterans' Allowance had he lived, was suffering hardship as a result of her husband's death. When the Order-in-Council was passed and subsequently taken into the Act it made the widows eligible on the basis of the service of the husband. In other words, had he been eligible his wife automatically was considered eligible also.

In the case of widows and female veterans it should be noted that the age of eligibility is 55 years.

APPENDIX "A"

NUMBER OF RECIPIENTS OF WAR VETERANS ALLOWANCE AS AT 31 MARCH, 1931-1950

Year	Total	Veterans	Widows	Orphans
1931	2,219	2,219	....	..
1932	3,825	3,825	....	..
1933	4,867	4,867	....	..
1934	5,837	5,837	....	..
1935	7,186	7,186	....	..
1936	8,820	8,820	....	..
1937	11,306	11,306	....	..
1938	13,244	13,244	....	..
1939	20,010	20,010	....	..
1940	23,211	23,211	....	..
1941	24,024	24,024	....	..
1942	24,360	24,360	....	..
1943	24,192	24,192	....	..
1944	25,125	23,848	1,277	..
1945	26,447	24,278	2,157	12
1946	28,312	25,030	3,249	33
1947	30,532	26,243	4,243	46
1948	28,357	23,397	4,902	58
1949	30,283	24,399	5,816	68
1950 (Jan.)	32,707	26,170	6,464	73

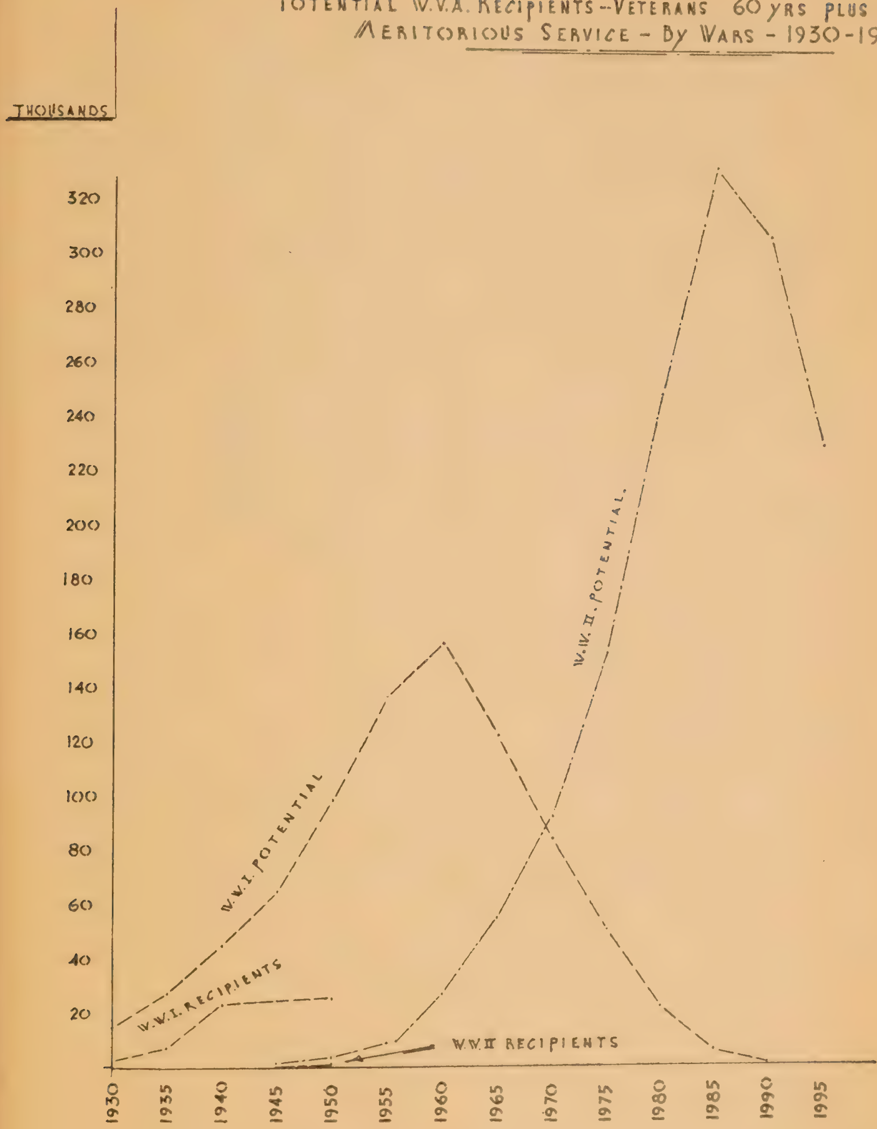
APPENDIX "B"

ESTIMATED TOTAL W.V.A. RECIPIENTS VETERANS WITH MERITORIOUS SERVICE OVER 60 YEARS OF AGE—1945-1995

Year	W.W.I.	W.W.II	Total
1945	65,481	1,024	66,505
1950	98,673	3,074	101,747
1955	136,917	8,370	145,287
1960	156,502	26,914	183,416
1965	122,328	54,827	177,155
1970	85,279	92,871	178,150
1975	50,672	153,955	204,627
1980	22,750	248,985	271,735
1985	5,982	333,567	339,549
1990	1,500	307,963	309,463
1995	..	230,182	230,182

This table is based upon numbers discharged from the Armed Forces with meritorious service decreased for death rates according to the Canada Life Tables and does not take into account factors such as emigration, etc.

POTENTIAL W.V.A. RECIPIENTS—VETERANS 60 YRS PLUS WITH MERITORIOUS SERVICE – BY WARS – 1930–1995



The WITNESS: I understand, Mr. Chairman, that everyone has received a copy of the brief and also that they have had a chance to read it so I assume that it will not be necessary for me to go through it. If there are any questions which members of the committee would like to ask I will do my best to answer them.

By Hon. Mr. King:

Q. I would like to ask Colonel Garneau a question with regard to the setting up of the War Veterans' Allowance Board and more particularly with regard to the estimate which was made at the time as to the number of veterans who would need assistance. I understand that you have a pretty good knowledge of those who served in the war, and that your estimate of those who would need assistance under war veterans' allowance was remarkably close. I understand also that since that estimate was made there has been an enlargement or extension of those facilities beyond what was contemplated in your original estimate, but that so far as your original estimate is concerned it was pretty close; is that so?—A. Yes sir, and it remained so until new classes were brought in.

Q. I want to get that point clear, that your estimate was remarkably close until the new factor of the veterans from World War II entered the picture.—A. At the time the original war veterans' allowance was passed in 1930 it was estimated that the need would reach its peak in 1957, and it was estimated that an expenditure of approximately $18 million would be required. Since that time, due to various amendments and conditions, we have now passed that peak of $18 million in the way of expenditures, and as a result of World War II and the broadening of the legislation to include widows and other classes of veterans since the Act was originally passed, and also the fact that the number of recipients have increased, the figure has gone beyond what we expected.

By The Chairman:

Q. I understand that what you are worried about is the feeling that some veterans who might later receive veterans' allowance would not want to take advantage of a contributory system of old age pension.—A. There is an impression to that effect, Mr. Chairman, in view of the fact that the veterans consider that the war veterans' allowance is, maybe, not a right but a privilege which comes to them by virtue of having served in an active theatre of war or as a result of a disability received during active service, or something to that effect. Now, beside that war veterans' allowance there are other provisions made for the veterans, special provisions like treatment (that is mentioned I believe in the brief) in a departmental hospital or rather hospitals in the care of the department, under the aegis of the department, the same as for war pensioners; and that is a privilege that is given them by virtue of the fact that they are recipients of the war veterans' allowance. But my own feeling is that as veterans they feel that they belong to a class, to a group of people who have earned a right, possibly I should say a privilege, to receive the war veterans' allowance.

Q. These allowances are not paid to them as a matter of right, though, they are paid to them first on a service or health test basis and then on a means test basis, a means test which is a little more generous perhaps than that which applies in the case of our present Old Age Pensions Act, but there is still a means test that applies?—A. There is.

Q. And if the veteran has income in excess of a certain amount he loses whatever right he might have had to this war veterans' allowance, isn't that so?—A. Yes, he would not receive any allowance.

Q. If a veteran is in receipt of a pension which is high enough he would not receive any allowance?—A. No, not if the income from the pension exceeds the ceiling or maximum income permissible.

Q. Under the Act.—A. That is true, if his other income is large enough.

Q. It is a welfare provision, it is an assistance provision, it is not paid as a matter of right?—A. No, not if you are taking the same view as the old age

pension. It is not a matter of right as it is under the present old age pension. But, as I mentioned before, the effect of active service may mean that he ages ten years earlier in that group, but if he has nothing then he might come under the old age pension.

Q. But suppose, for instance, it was the decision of the committee to establish a contributory system, let us say at age 65, the veterans' allowance would still apply over and above the amount of the pension received if the pension is not an amount above the income ceiling provided in your Act?

Mr. MUTCH: You mean if he were really indigent he could still receive the old age pension?

The CHAIRMAN: Yes.

The WITNESS: You mean at age 70?

The CHAIRMAN: I said age 65, or age 70.

Mr. MUTCH: At age 60 he would be entitled to get the war veterans' allowance grant without having to consider anything except his service.

The CHAIRMAN: That is right.

Mr. MUTCH: And then he might be eligible—

The CHAIRMAN: According to his means, if they are restricted.

The WITNESS: He could not get the full veterans' allowance at the present time with the old age pension, the one cannot be supplemented by the other.

Mr. CROLL: Make that very clear, Mr. Chairman.

By the Chairman:

Q. At the present time, as I understand it, suppose a man receives the old age pension in the province of Quebec and he is single he is entitled under the War Veterans' Allowance Act to what income ceiling?—A. A single veteran $610 per annum.

Q. To $610, and let us say he receives under his old age pension benefit $480, so he would be entitled to a veterans' allowance payment of $130?—A. Not at present.

Q. No?—A. No, because they could not be paid more than the amount of the full old age pension under the present Act, under the Old Age Pension Act, and the War Veterans' Allowance Act does not permit of a grant or supplementary payment of the one by the other.

Q. Then if he has the one he cannot take the other?—A. He can get either the old age pension or the war veterans' allowance, but if there is a margin, for instance as you mentioned, you might give him an overpayment of $10; but he could not get that and receive the full veterans' allowance.

The CHAIRMAN: That is a statutory limitation.

Mr. KNOWLES: Yes. In other words, that is the way the legislation now stands. And it would be a matter of government policy to determine whether or not a change should be made in the War Veterans' Allowance Act.

Mr. MUTCH: That is right.

Mr. KNOWLES: That does make it necessary to reconsider the whole situation, particularly if you should have a scheme under which everybody would get $40 a month at age 70; then the War Veterans' Allowance Board would have to consider whether they would supplement it, increase the veterans' allowance for a man who qualified under the "burnt out" conditions.

Mr. MUTCH: Under the War Veterans' Allowance Act a man is entitled to a fixed amount in the way of allowance, if he is qualified, and the Board may supplement his income up to $610 a year; but as to receiving the war veterans' allowance and the old age pension at the same time, he cannot do that.

The CHAIRMAN: Now, Colonel Garneau, you said that the veterans would object to paying contributions to a contributory system.

The WITNESS: That is the impression I had.

The CHAIRMAN: Would it still be true if some amendments were made to the War Veterans' Allowance Act such as Mr. Knowles has just suggested?

Mr. MUTCH: Mr. Knowles' suggestion was that the means test would be removed from the old age pension and that it would become a matter of policy as to whether or not the Veterans' Allowance Board might take the old age pension as it appeared in the picture. I think that is correct.

Mr. KNOWLES: They might consider it later.

Mr. MUTCH: Yes, they might do that. Well to the extent that they considered it, that again becomes a matter of policy for the government of the day.

The CHAIRMAN: But if there was a change there, there should be no objection.

Mr. MUTCH: There should be no objection if a man can get more money.

Mr. KNOWLES: Is it not the case at the present time that with such taxes that all Canadians are paying, veterans do have a certain special benefit under the War Veterans' Allowance Act?

Mr. MUTCH: Yes.

Mr. KNOWLES: Would it not be logical rather than worrying about the changes we are making to consider carrying forward that same basic principle? In other words, if there is an old age pension payable at a certain age without a means test, with all Canadians paying the additional tax, would it not be the logical thing to carry forward some additional benefit, either by way of getting it earlier or by way of getting an extra amount or by way of getting it through the services, or by a combination of these things for the veteran?

Mr. MUTCH: I presume, Mr. Chairman, that is a matter of policy which would involve changes in the War Veterans' Allowance Act.

The CHAIRMAN: Yes, it would require an amendment to your Act.

By Mr. Croll:

Q. Did I hear you right, Colonel Garneau; did you say that there was some doubt in your mind about veterans not wishing to pay towards a contributory old age pension scheme?—A. I have nothing official on that.

Q. Well?—A. But that is the impression I got from ordinary conversations.

Q. Well, just lets see about that. The veteran today, of course, is in industry the same as anyone else. You can't set him apart. And under the present legislation he has nothing to gain; isn't that his thinking?—A. I think so.

Q. The one would come to him as a right while the other would come to him as a gift from the government.—A. As a welfare measure.

Q. As a welfare measure, yes; doesn't that make a difference to the veteran?—A. I am afraid that I would not want to go too far on that matter because I am offering only more or less a personal impression without having had a chance to canvass the situation or discuss it either with officials of the department or veterans.

Mr. CROLL: What do you think about that, Mr. Mutch?

Mr. MUTCH: If I might answer that, again it is a matter of personal opinion, but I think as between the old age pension and the war veterans' allowance it would be slightly to their advantage and they would prefer to take the war veterans' allowance, even though it might be a matter of taking three or four dollars a month less. They feel that the old age pension is a matter of charity while they feel that they earned the right to the war veterans' allowance through their service in a theatre of actual war and they do not have the reluctance to accept the war veterans' allowance which they sometimes do to accepting the old age pension which they regard as state charity.

Mr. CROLL: Let's take conditions as they are at the present time; a man and his wife are entitled to a maximum of $70, I think it is, under the war veterans' allowance.

Mr. MUTCH: It is $70.83.

Mr. CROLL: Assume for a moment—I take these figures out of the air—assume for the moment that we decide to pay a $40 allowance—disregarding the age limit—$80 for a man and his wife; in the light of that, of course, that reluctance of which you spoke would not be so pointed, would it?

Mr. MUTCH: Speaking for myself, I would take the extra $10.

Mr. CROLL: What I am speaking about is your view from your association with veterans. Assuming that there is $10 per month, what do you think? Of course, I suppose you would say you would have to examine your position in the light of the departmental position.

Mr. MUTCH: I think you would have to examine something else.

Mr. CROLL: What?

Mr. MUTCH: Don't forget this, that under the war veterans' allowance you receive a ten-year break. That has to be considered. In addition to that, while it is true that in some of the provinces the old age pensioner does receive medical care and attention, in other provinces it is not true, and in every case where a man is under the war veterans' allowance he is entitled to hospitalization and treatment.

Mr. CROLL: But not his family.

Mr. MUTCH: But not his family; and he would be unwilling, I think—it would depend on his age; if he has reached age 70 when he applies, the next thing he has to consider is the question of hospitalization and treatment. If he is 60, and a man is entitled at age 60, if he is indigent and in such general condition that he can qualify for the war veterans' allowance, that is if he is not working and he has lost his capacity to earn. There is nothing to prevent the veteran qualifying for the war veterans' allowance at 30, or any other age, providing he is physically or mentally incapable of earning his living.

Mr. KNOWLES: Take this case. Supposing we brought in, or the government or parliament brought in and old age pension without a means tests, that would put a different colouring on it for the chap under the War Veterans' Allowance Board. You would still have the same kind of provision that you now have with respect to veterans below the old age pension age?

Mr. MUTCH: Yes.

The CHAIRMAN: But they can qualify for it at any age.

Mr. KNOWLES: What I am talking about is that this committee may recommend a pension without a means test at age 70 and with a means test at age 65, and if that were the case you would still have everybody below 70 and below 65 to take care of, you would have the same kind of a problem as you have now of providing an allowance based on subsistence needs; but with respect to this, where you have an old age pension without a means test, your problem would be whether or not on a welfare basis to provide an additional amount which they were entitled to because of their service.

Mr. MUTCH: I would make one exception to that, and that is this, that the Act nowhere professes to be a means of providing an adequate living. We add to the allowance in some instances to supplement income, but the fact is that the Act was not set up to provide an adequate standard of living. The Act was set up to compensate a man who had service in a battle area for the presumption of ten years pre-aging, as a result of that battle service. In other words, we have said again and again that this does not aim to provide an adequate income for a family. It was never intended that it should be the sole source of income that strictly and literally is not the intention of the Act. It has happened in unfor-

tunate cases that it is the sole income, and parliament has seen fit to provide for further assistance in those cases where hardship is apparent. Parliament has seen fit to supplement the allowance during the last two years, but the principle still stands; that is, to compensate for the presumed ten years premature aging as a result of battle service; and it is an unfair criticism of the legislation to say that it does not provide adequate living allowance, since it was not primarily designed to do so; and for the great majority of the recipients it is not their sole means of subsistence.

Mr. KNOWLES: Your job would still be, if the changes we anticipate were made, to supplement the income of the veteran who was below minimum age. Supplementation for that group would probably have to be greater in extent than it would be for the other group and it would be of the means test principle of the old age pension, but I do think you would still need to give them some supplementation to supplement their earnings.

Mr. MUTCH: That will be a matter of interpretation, as to what might be regarded as being adequate.

Mr. CROLL: You could not possibly maintain your position if we decide in excess of what you now give, and the old age pensioners are getting more than the war veterans' allowance; you cannot possibly maintain that position; and would you, in the light of that, have to re-examine your position and do something about it?

Mr. MUTCH: As I said a moment ago, that would require an amendment to the Act.

Mr. LAING: Mr. Chairman, I am interested in the means test feature of the war veterans' allowance. We have been discussing various rates of means test benefits. How would this apply in the case of the veteran?

Mr. MUTCH: The whole Act is based on the assumption that a man who served in a battle area is ten years prematurely aged. There is that presumption.

Mr. LAING: And there is no health test or anything of that kind?

Mr. MUTCH: If he comes in at, let us say, age 57, on the grounds that he can't work, then there is a medical examination to decide whether or not a man is capable of earning.

Mr. LAING: But that applies only in cases under 60?

Mr. MUTCH: Only in cases under 60. If he is over 60 the only qualification is that he must have served in an actual theatre of war, and be in need; then he becomes eligible.

Mr. LAING: Who makes that decision?

The WITNESS: He is examined either by his own family physician or by the nearest district office where he undergoes all necessary examination, some of those examinations are fairly elaborate—if necessary X-rays are taken and blood tests, whatever may be called for—without cost to him; then a report is made based on that examination and that is checked over by the medical adviser to the Board who summarizes it and places it before the Board.

Mr. LAING: But he can't go to his own doctor and have his own doctor report to the Board?

The WITNESS: Yes.

Mr. BROWN: His own doctor can make the physical examination.

The WITNESS: But neither the man's own doctor nor the Board doctor in his own right makes the decision. All cases go through a process of analysis and medical examination and reports are made for the use of members of the Board, like ourselves, accompanied by an opinion of the examiner who says from the technical standpoint whether or not in his opinion the man is capable of working at his normal employment, or something like that.

Mr. Brown: If there is a conflict of opinion between the Board doctors and the private doctor does that mean that the man has to come in before a district board?

The Witness: Yes, it does happen sometimes that the medical examination carried out, even in a regular medical section, seems to be a little sketchy, or something like that.

Mr. Brown: What is done in a case of that kind?

The Witness: The report is sent back and specific information is requested, and in some cases we may bring that man in, without cost to him, to the district office and keep him for two or three days or longer if necessary.

Mr. Laing: And then they have to go before that board regardless of whatever report their own doctor may have made?

The Witness: Yes, and they are examined very thoroughly and a further report is submitted to the Board.

Mr. Brooks: And if there is any question about the report given by the man's own personal doctor he is brought in to the district office?

The Witness: Yes, and where the case can be handled by the district office we prefer to have it done that way because in the district there is usually a hospital and adequate medical and other facilities for examination purposes. In some cases we find that it is very necessary to bring them in because of some of the reasons we get from the family physician, his report may be a little bit sketchy in the matter of emphasis, or findings which do not conform in detail to the conclusion indicated.

Mr. Brooks: Do you ever question the reports of the family physician?

The Witness: Yes, in some cases particularly that is very important; you take a case where their recommendation does not appear to be supported by the material in the report itself; for instance let us say they indicate that the heart is apparently normal, the lungs are all right, but emphysemia is present—without going into the details. We try to get the whole picture of the man from the report. For instance, they will say the man looked undernourished, but he is age 65 or age 67 and weighs 165 pounds; well, that does not seem any too consistent. There are a good many of these little things which are purely technical questions.

By the Chairman:

Q. I imagine you check the report of the home physician pretty carefully?—A. Yes, in the light of the document. We like to get as complete a picture as to the condition of the man before his case comes before the Board, that all adds up to the general picture.

Q. I want to come back now, Colonel, to what you said a moment ago, you made a statement which impressed me. As I recall it you said that you were under the impression that veterans would object to a contributory system of old age pensions because they believe that they have a right to this war veterans' allowance. Now, starting from that basis, supposing that the committee recommends the establishment of a contributory system under which the benefits would be related to the contributions, something along the lines of the system in the United States, the O.A.S.I., do you believe that the objection on the part of the veterans to paying contributions would be so important that we would better recommend that all veterans be excluded from the plan?—A. That is a pretty difficult thing for me to answer. As I say, I haven't got the data, I haven't made a survey, and I have nothing very much on which to base my impression, rather my opinion; but from general contact and conversation with veterans in particular, and that only indirectly, the general feeling is that it

is a privilege to receive the war veteran's allowance; because, as mentioned by Mr. Mutch, they feel that they are entitled to or become eligible for it on account of their service, they feel that they have earned it so to speak.

Mr. KNOWLES: At a lower age though.

Hon. Mr. KING: When the bill was up in the House of Commons there was some opposition to it on the grounds that they were providing an old age pension for veterans who had lost their health due to service, and it was made very plain that this allowance was not a pension, there was no disability whatsoever, and there was no justification for calling it an old age pension. The general feeling which prevails among veterans about the war veterans' allowance, as Colonel Garneau has said, is that it is something which has been earned, but something which if not a right is at least a special privilege gained through war service.

Mr. HOMUTH: Isn't this war veterans' allowance a pension which they earn as a right?

The CHAIRMAN: No, no, it is an allowance, not a pension.

Mr. HOMUTH: Well, if they got this old age benefit without a means test at age 70 they would still be able to qualify for the veterans' allowance, wouldn't they?

The CHAIRMAN: Yes, under a means test. But that is not what I am discussing. I am discussing the objection of veterans who are earning an income —of veterans who are employed, contributing to a contributory system of old age pensions. That was the first part of my question.

Mr. CROLL: The answer to that is that in the U.S. millions of veterans in common with everybody else have paid it without raising their voice, so that is the obvious answer. Let's get on with this.

The CHAIRMAN: Yes, but I wanted to have it on the record.

Mr. BROOKS: I did not understand Colonel Garneau to say that the veteran who was not receiving the war veterans' allowance would object to contributing.

The CHAIRMAN: Well, if he was receiving the war veterans' allowance his income would be restricted. I do not know how he would contribute.

Mr. BROOKS: He would not be on war veterans' allowance if he was receiving any income.

The CHAIRMAN: I do not believe there is any contributory old age pension scheme in the world that would consider a means test allowance, such as the veterans' allowance we are talking about, as income which would compel a recipient to make contributions.

Mr. BROOKS: I do not think Colonel Garneau meant that veterans in general were objecting.

The WITNESS: No, I had in mind more those who were receiving or were about to receive the war veterans' allowance, in that class from age 60 to age 70.

The CHAIRMAN: Then you were not talking about veterans in general.

The WITNESS: No, absolutely not veterans in general, but rather those who were in receipt of the war veterans' allowance at the present time or who would shortly become eligible. I might have made myself a little clearer. I was thinking along the lines of those who are in the age 60 and age 70 group, and those who would be considered to be in that group because of the ten year premature aging qualification, and who when approaching a time of need would not come under the old age pension.

The CHAIRMAN: Well then, what about the veterans who are generally employed?

The WITNESS: They would not be on war veterans' allowance.

Mr. FLEMING: Do you not think this statement at the bottom of page 3 of the memorandum makes it clear that he has reference to veterans who are about to become eligible for the war veterans' allowance.

The CHAIRMAN: About to become eligible?

Mr. FLEMING: Yes, the last paragraph there at the bottom of page 3.

The CHAIRMAN: Yes, what does he mean by: "about to become eligible"?

Mr. MUTCH: Might I just add a sentence or two? If you are going to deal with the whole veteran body I think it is perfectly fair to say, as Mr. Croll suggested a moment ago, that the veterans who are re-established and are leading their own life, and expect subject to those unforeseen circumstances which arise in the life of everyone, to be able to take care of themselves and their families, would be in favour of contributing. They would be in a group which would be actively considering security of some sort for themselves. Having in front of them the type of security which is given by this legislation I think they might be expected to contribute up to the period of time when they could get this old age pension as of right. With respect to this other group, the prematurely aged, who could expect to qualify for war veterans' allowance at age 60, I think it is equally reasonable to assume that they would not be so interested in contributing, during their remaining active years.

Mr. HOMUTH: If they were employed they would not mind contributing.

Mr. CROLL: Now, look, when you say they are employed—they would not get the war veterans' allowance if they were employed.

Mr. MUTCH: If they are not recipients.

Mr. CROLL: Everyone knows that "recipient" means that they are the recipient of the allowance and are getting $620 a year, and I assure you that this committee will never start taxing at $620.

Mr. KNOWLES: No, the most conservative suggestion would not start there.

Mr. CROLL: No, we would not start taxing at $620. We are going to give a man enough to live on before we start taxing him.

The CHAIRMAN: That was the second point that I wanted to get clear in my mind.

Mr. FLEMING: I keep harping back to that sentence at the bottom of page 3. On what do you base that statement? Has there been any kind of a survey made?

The WITNESS: No sir, there has not been any survey made that I know of, it was more, may I say, an expression of feeling that the veteran might not understand why he would not be asked to contribute to that when he was to get the other free by virtue of his service.

Mr. FLEMING: That is given to him if he were not exempt by reason of something.

The WITNESS: Pardon me?

Mr. FLEMING: If they were not exempt for some reason or other.

The WITNESS: Yes.

The CHAIRMAN: I wish to thank you very much, Colonel Garneau, on behalf of the members of the committee for your appearance here today.

Mr. Fleming had a question which he wanted to ask Dr. Davidson and I think it would be a good thing if he were to put that on the record now.

Mr. FLEMING: Mr. Chairman, Dr. Davidson is coming back to us later this week with certain additional material. I spoke to you earlier, Dr. Davidson, about certain further information that I wanted to obtain, and it may take a little time to prepare it. The question was with respect to other social security

payments that might be competing with any plan for increased benefits to aged persons. I would like to obtain whatever information is available concerning the number of persons who would come within the category of those incapacitated from working either by reason of becoming crippled or mentally incapacitated or for other causes, who would qualify if there were provision for such a pension on a means test basis. I understand there may be some difficulty in getting anything like exact figures, but I would ask you to bring us whatever estimate you are able to make, or the best figures you can get; and, also, the best figures on the cost of providing pensions of various kinds for such persons on a means test basis.

Dr. DAVIDSON: Mr. Chairman, am I correct in my understanding of the question, that Mr. Fleming is limiting his request as to the area of disability?

Mr. FLEMING: Not necessarily; but in view of the fact that the question has been raised I would like to have such data as may be available on it; and I would also like to have information about the cost of carrying the other forms of social security which have been mentioned here several times, health benefits.

Dr. DAVIDSON: Mr. Chairman, in reply to Mr. Fleming, may I say with regard to this matter of estimating disability benefits that it is very difficult because so much depends on your definition of disability; whether you mean total and permanent disability, or what categories you would bring in to the concept of disability pensions. I think we can give you something on that. It will be the best it is possible for us to give you in the time at our disposal. As far as any of the other programs are concerned I would take it that it would be useful to the committee if I were to bring forward in connection with health benefits, for example, data relating to the dominion-provincial proposals in 1945 in regard to health insurance. I can give you the estimates made at that time in regard to the nature of social security or social welfare measures that were before us for consideration at that time as part of the total dominion-provincial picture.

Mr. FLEMING: I think that would be very helpful. You will remember the provisions existing—for instance, advocated as public assistance; but they were given a higher rating than the increase for the old age benefit. I would like to get the information available on that. I appreciate that it is difficult to get exact figures on this but it is a matter that should be before the committee. Whatever information is available should be furnished to us.

The CHAIRMAN: I believe that Dr. Davidson is sufficiently acquainted with what you want and that he may be relied upon to produce all the information that is available.

I will now call Mr. Sharp.

Mr. Mitchell W. Sharp, Director, Economic Policy Division, Department of Finance, recalled:

The CHAIRMAN: I understand that you are providing us with some data that was requested last week when you appeared before the committee. Would you like to give that to us now?

The WITNESS: Yes, Mr. Chairman, I have prepared this supplementary document.

The CHAIRMAN: Should we put it in the record at this point?

Some Hon. MEMBERS: Agreed.

SUPPLEMENTARY INFORMATION

Re: "Financing a Program of Old Age Security for Canadians" (Prepared by the Department of Finance)

The Committee asked for certain information to supplement Table VII appearing on page 9. In order to facilitate comparison the table is reproduced below, including the additional estimates as requested.

TABLE VII

Special levies on personal income (assuming perfect collection)
each 1% tax on personal income

(millions of dollars)

Base	*No Maximum*	*$50 Maximum*	*$25 Maximum*
All income	100·0	92·3	81·3
Deductible Exemptions			
All income less $250	87·5	80·2	75·5
All income less $500	74·3	67·5	60·2
All income less $500 (s); $1,000 (m); and $100 (d)	57·8	51·5	46·2
All income less $750 (s); $1,250 (m); and $100 (d)	48·3	42·3	37·8
All income less $750 (s); $1,500 (m); and $100 (d)	43·9	38·1	34·0
Exclusions			
All income less $500	98·0	90·5	79·6
All income less $750	95·0	87·5	76·8
All income less $1,000	90·1	82·7	72·0
All income less $500 (s); $1,000 (m); and $100 (d)	91·6	84·3	73·6
All income less $750 (s); $1,250 (m); and $100 (d)	86·7	79·4	68·7
All income less $750 (s); $1,500 (m); and $100 (d)	82·5	75·1	64·4

NOTE: 1. Exclusion means that persons with incomes equal to or less than the amount of the exclusion (say, $500) are not subject to tax. Persons with incomes above the amount are subject in full (except for "notch" provision). Thus the exclusion is NOT the same as a deductible exemption.

2. s (for persons taxed as single persons)
m (for persons taxed as married persons)
d (for each person dependent on the taxpayer).

The Assumption of Perfect Collection

Attention is again drawn to the paragraphs appearing under this heading on page 9 of the original submission. These are not "realistic" estimates. In the absence of adequate facts and experience as to probable collection of a levy of this kind, they assume perfect collection.

Note re "multiplication" of above estimates

The estimates appearing under the headings "no maximum" may be multiplied directly to obtain the theoretical yield of a levy at a rate higher than 1%. For example, the yield of a 2% levy, assuming perfect collection without exemption or exclusion, would be twice $100 million, or $200 million. The only quali-

fication is that if individuals with certain incomes are excluded, the solution of the "notch" problem involves losses which become greater as the height of the levy increases.

The same process cannot be followed with respect to the estimates appearing under the headings "$50 Maximum" and "$25 Maximum".

It is necessary to double the maximum as well as the rate in order to double the yield. In other words, if a 2% rate is used, the yield appearing under the heading "$50 maximum" will not be doubled unless the maximum is also raised to $100.

In Reply to Question from Mr. C. A. D. Cannon, M.P.:

INCOME CLASSIFICATION OF PERSONS 65 YEARS OR MORE, 1948 INCOME

On the basis of a 10% sample it would appear that of the 18,930 taxpayers in Toronto who claimed special exemption on account of being 65 years of age or more:

34%	or 6370	had incomes less exemptions* of less than		$ 500
23%	" 4390	" " " "	between	$ 500—1000
12%	" 2270	" " " "	"	1000—1500
7%	" 1440	" " " "	"	1500—2000
24%	" 4460	" " " "	in excess of	—2000

* Declared incomes less single and marital exemptions, exemptions for dependents, and special exemption for those over 65.

These exemptions were (1948):

For single status	$ 750
For married status	1500
For child of family allowance age	100
For child over family allowance age	300
For persons over 65 years of age	500

No deduction has been made for charitable donations or medical expenses.

85,720 individuals throughout Canada claimed the special exemption on account of being 65 years of age or more in respect of their 1948 income.

If the Toronto sample is representative— and it probably overstates the incomes of all taxpayers in Canada over 65—the distribution of the 85,720 individual taxpayers according to incomes less exemptions would be as follows:

Less than	$ 500	29,145
Between	$ 500—$1000	19,716
"	$1000—$1500	10,286
"	$1500—$2000	6,000
Over	$2000	20,573

Hon. Mr. FARQUHAR: Mr. Chairman, are you through with the brief in connection with veterans' allowances?

The CHAIRMAN: Yes.

The WITNESS: Mr. Chairman, I have put together in this supplementary document the answers to certain questions asked by members of the committee. The first table refers to the original document and it gives a longer table of the theoretical yield from special levies on personal income. I could have entered it simply in the form of additional information but I thought it best to reproduce the table in full with additional lines added at the bottom to the appropriate parts of the table. For example, in the original document, the deductible exemption only extended down as far as incomes of less than $500, and the

exclusions only went down as far as the income of persons who had less than $1,000. Now I have added in what I understand to be the additional information requested by members of the committee. I also added one note the substance of which is in the original document about the assumption of perfect collection. These are not estimates of how much will be collected but of how much would be collected if you collected every dollar which was taxable. It is not realistic to expect to collect every dollar. Secondly, I added an explanation which was omitted from the previous document relating to the question asked by Mr. Fleming about the calculation of the yield of a rate of tax higher than 1 per cent where there are maxima of $50 and $25.

Mr. FLEMING: Would you put it a little more slowly, we have not been able to get that down?

The WITNESS: Yes. The second table is in answer to a question submitted by Mr. Cannon. Mr. Cannon also asked for some further information about government annuities. I understand a witness will be appearing later who will be better able to provide that information than I could.

The CHAIRMAN: Mr. MacNamara, the deputy minister of labour will be here on Thursday morning.

The WITNESS: You will observe that the only information we have as to the income of persons 65 years of age and over is obtained from the sample 10 per cent of the individual taxpayers in Toronto. I took the liberty of blowing up those figures as being at least representative of Toronto taxpayers of that age. I am not so sure that they are representative of all Canadian taxpayers of that age; but I do give some figures to show what percentage would have taxable incomes less than $500, of $500 to $1,000, $1,000 to $1,500, and $1,500 to $2,000, and over $2,000.

By the Chairman:

Q. What about the people of 70 years of age and over? Would it only be a guess?—A. People 70 years of age and over comprise about 60 per cent of the population of those 65 and over. We do not know whether their incomes are distributed in the same manner as the whole population.

By Mr. Fleming:

Q. It would be very difficult to isolate those cases because when you call for the date of birth of persons of 65 years of age you have to go through all the returns to get it. There are no statistics of that kind prepared.—A. As a matter of fact there was none prepared until we had this sample taken.

Q. We can assume that the percentage of those earning income would be lower at 70 years of age and over, and that the amount of income would be lower than between 65 and 69 years of age. There would be a trend in that direction, would there not?—A. I think that is a reasonable assumption, yes.

By the Chairman:

Q. You could not guess how much you would recover? Suppose there is an over-all payment of $40 pension without a means test for people 70 and over, and suppose their income tax exemption was cut down to a level of $500, about what would be the recovery?—A. Since I appeared before the committee a week ago we have been doing some further investigation but we have not produced very satisfactory results. This is an extremely difficult question. I would venture to say that if a pension of $480 a year were paid to everyone of 65 years of age and over, and it were subject to the income tax with present exemptions, the recovery would not exceed $10 million.

By Mr. Croll:

Q. What is the expenditure; what have you in mind?—A. It would be enormous.

The CHAIRMAN: $630 million.

By Mr. Croll:

Q. Related to that would be $10 million as against payment of $630 million approximately. Is that right?—A. That is right.

Q. Can you relate it?—A. We did try to make some estimates, with a lower exemption, but I would not like to put forward any firm figure.

By Mr. Cannon:

Q. Is not that estimate of $10 million for taxpayers over 70 years of age? —A. No, over 65.

By Mr. Shaw:

Q. To what would it have to be amended in order to recover the entire amount as they did in family allowances?—A. Some of the answer appears in the information which I have tabled here. There are approximately 1,025,000 people who are 65 years of age and over; and of them 85,720 paid taxes in 1948. These figures appear on the last page.

By Mr. Fleming:

Q. That would be about 6 per cent, would it not?—A. It is only 6 per cent but you would recover all the pension from those individuals. Supposing the full amount of the pension to be recovered from the individuals who pay income tax.

By Mr. Cannon:

Q. Suppose the full amount was recovered from individuals who pay income tax on taxable incomes of over $500?—A. That would reduce the amount.

Q. You would have to take that figure of 82,720 and deduct the 29,145 who pay on less than $500 taxable income, would you not?—A. That is right.

Q. So you have there approximately 55,000 people; you multiply that 55,000 by the amount of the old age pension— —A. $480.

Q. And you get the figure.

Mr. FLEMING: It would come down to 5 per cent of the population over 70 years of age and over.

By the Chairman:

Q. Yes, 5 per cent; and it would be only 3 per cent of the population over 70 years of age.—A. It is necessary to put in one or two qualifications here. And this illustrates the difficulty of the problem. When you do pay pensions you raise incomes.

By Mr. Fleming:

Q. That is why I could not understand your previous answer. I thought that when Mr. Cannon spoke up you were going to raise that point because obviously it is not fair to apply the present tax rate base over 70, if you are going to pay a pension.—A. It has been estimated that the cost of the present special exemption for persons 65 and over is in the order of $6 million to $7 million. That is why I put the figure up to about 10 per cent, perhaps, as being the amount of recovery, if you now add $500 a year to everyone's income.

Q. And then tax the whole thing?—A. That is right, tax the pension itself, that is, at existing rates of taxes.

Q. At existing rates of taxes?—A. Oh, yes.

By the Chairman:

Q. You mean at existing levels?—A. Exactly.

Q. Because if you lower the levels of exemption, you would recover much more, would you not?—A. Of course. That changes the problem entirely.

By Mr. Cannon:

Q. I made a calculation and I find that if you figure there are 55,000 people who pay income tax on taxable incomes of over $500 and who would have to return their $480 old age pension, you get a total of $26 million. That is not an awful lot when you are dealing with $600 million or $650 million.

Mr. Fleming: They won't return the full amount.

Mr. Cannon: That is my idea. Anybody paying income tax on more than $500 taxable income after exemptions would return the full amount of the old age pension, working on the theory that if they have over that income they would not need old age pensions.

The Chairman: What about the one who has $400 income over the actual exemption? He will be better off than the one who has $500?

Mr. Cannon: He will get his pension and he will pay income tax.

By Mr. Fleming:

Q. Mr. Sharp's answer is put on the basis of the maintenance of the present rates of taxation, not on the basis of 100 per cent tax on the pension received in this way.—A. There were two questions asked. The first question was: How much would be recovered if these pensions were subject to tax? I suggested that perhaps $10 million was a reasonable figure. I assumed the present exemptions and present rates of tax. Mr. Cannon was interested in another point. He said: Suppose we have a special system of taxation applying to the old age pensions and we tax back the full amount of the pension on everyone who has $500 taxable income.

By Mr. Cannon:

Q. It would mean $26 million approximately?—A. I would add a qualification: that incomes would be going up by $500, so the recovery would be somewhat more if you tax back 100 per cent.

By the Chairman:

Q. There is no possibility, is there, of giving us figures for a lowering of the exemption in that case? That is what you are doing for family allowances? the exemption instead of being $400 per child, when the wife receives family allowances, is only $150. That is to say, a reduction of $250 in the level of exemption for a benefit, on the average, of $72 a year. That is right, is it not?—A. That is right.

Q. The benefit is only $\frac{1}{3}$ of the extent to which the exemption is lowered?—A. I do not know how much recovery results from that process. Various estimates have been made. Perhaps the figure lies between $35 million and $50 million.

Q. As much as that?—A. Yes.

Q. With total payments of family allowances of less than $300 million?

Dr. Davidson: I have made some calculations on my own, but they have no particular validity, I can assure you. The calculations I made indicated

that for the first two years of family allowances the recovery was in the order of $15 million; and while it is more difficult to recuperate in the last two years, my firm conviction is that the recovery now is still about the same order.

Mr. FLEMING: On that point, prior to the change in the family allowances at the time they were universal in 1946, the breaking point up to that time was an income of $2,900, was it not?

Dr. DAVIDSON: $3,000 the first year, and $3,600 the second year.

Mr. CROLL: The breaking point was when you got the money. That was the difficulty.

Mr. FLEMING: I gather that Mr. Sharp has been seeking to help us. I take it that he can go this far: if you maintain present rates of taxation with present exemptions you can expect to collect about $10 million from those in the 65 year and over bracket.

Mr. CROLL: At 65 years of age.

By Mr. Fleming:

Q. Yes, and if it were 70 years of age, presumably it would not be more than 60 per cent of that; it may be about one half?—A. Yes.

Q. Is there anything more you can draw out of these studies which will assist us?—A. Not without further work. This is an extremely complicated question. The information we have on the distribution of income by ages is virtually negligible.

Q. Upon what studies was the statement based in the Green Book Proposals of 1945, that there would be a specific recovery from those 70 and over who received a pension without the means test, and who are in the taxable category? Were there any studies made at that time?—A. There probably were but I did not take part in them.

Q. You do not know who made them?—A. Not off-hand, no.

Q. Would Dr. Davidson know, perhaps?

Dr. DAVIDSON: I doubt whether there was any precise estimate made about recuperation. At the time the Green Book was discussing a pension bill in the order of $220 million. Wartime tax rates were in effect which would have meant a substantially higher amount of recuperation, that is at that time, than would be the case if the recuperating base were put into effect today. But in the general statements which may appear in the text of the proposals I am not aware of any precise calculations having been attempted.

By Mr. Fleming:

Q. Unless we are going to make a special category of those 70 and over in order to reduce their exemption, it does not look as if there is very much in this for the tax gatherer, if you make it a universal pension at 70 and over.—A. That is my judgment, and that unless there are changes in the system of taxation, recoveries won't be very large.

Q. That would make a special class of those 70 and over on a less favourable exemption basis than those who were under 70? There would be some increase in recovery if the special exemption which is now accorded to persons 65 and over were withdrawn for those who received pension.

The CHAIRMAN: You can only guess what it would be anyway.

Hon. Mr. HORNER: You are now referring to the $500 deduction at age 65?

The CHAIRMAN: That is right.

By Mr. Knowles:

Q. Is it not correct that the reference which is made to a possible recovery is made with the thought of its psychological value rather than with the thought

of its producing a large sum by way of revenue? Would not the millionaire say that he pays a fair chunk of this tax now, and that the amount which is left to him is a mere drop in the bucket anyway?—A. I take it that in individual cases there would be substantial recovery. But taking all the pensioners, the amount recovered from them would not be very significant.

Mr. FLEMING: It is a very formidable problem to pay pensions to people over 70 who may also be in receipt of income which is ample for their needs.

Mr. KNOWLES: Better to pay it to one who does not need it than not to pay it to 99 who do.

Mr. CROLL: We are not going to recover very much from either the witness or from taxation.

The CHAIRMAN: Are there any other questions now that we have Mr. Sharp with us? Are there any other questions on this point, gentlemen?

Mr. LAING: Is Mr. Sharp going to give us some more information?

The CHAIRMAN: The information which Mr. Sharp is to get is in answer to individual submissions made by members of the committee, and it is going to be studied during "in camera" sessions next week.

The WITNESS: I have certain information.

By Mr. Croll:

Q. On the cost of exemptions?—A. I have here some figures on the amount of deductions claimed by taxpayers in respect of pension fund deductions in the three years 1946, 1947, and 1948. The amount claimed by individual taxpayers in 1946 against their taxable income was approximately $39 million. In 1947 it was $51,200,000; and in 1948, according to preliminary figures, it was $67,500,000. That was the amount claimed only by individual taxpayers. It does not of course include the amounts which may have been claimed by non-taxpayers which may have helped to put them under the taxable level; nor does it of course include the amounts that might have been claimed by the individual who did not file an income tax form at all because he was completely free of tax. So that is only the amount claimed by taxpayers as such.

It is very difficult to know what the cost of these deductions would be to the Treasury, but I think that a marginal rate of tax in 1948 of around 20 per cent is reasonable. In other words, if you consider this as the top part of the income, then the cost of it is around 20 per cent of the amount claimed in 1948.

Today the cost of that deduction would be somewhat less because the over-all marginal rate of tax is somewhat less than 20 per cent, perhaps it is around 17 per cent for those individuals who would be claiming it. I also obtained some informaton as to the amount of pension fund payments claimed by corporations. This information is not in the best possible form; but in 1946 companies that made profits claimed $45,500,000 approximately as pension fund payments. In 1947 all companies, both those which made a profit and those which met a loss claimed $51,700,000; and in 1948 according to preliminary figures, companies which made a profit and companies which met a loss claimed $65,500,000 approximately.

Now there are certain qualifications which I have to make about those figures. In the first place, in 1946 the figure includes the amount claimed or charged by banks and insurance companies; but for the final two years that information is not yet available. It is not tabulated at least in a form we could get access to; so that the figures for 1947 and 1948 understate the total amount.

Mr. CROLL: Do you know how much it was in 1946?

Mr. FLEMING: It was approximately $2,200,000.

The WITNESS: Those are the figures I was able to get. And if you want to get the cost in 1948, recall that the corporation tax was 30 per cent; so that you

can get approximately the cost in tax terms by taking about 30 per cent of the figure of deductions.

Mr. FERRIE: I would like to get at this figure of 85,000. Suppose you pay a pension of $50 a month and then you take $40 a month and put on top of that—

The CHAIRMAN: Mr. Ferrie, is your question on the figures which were just given by the witness?

Mr. FERRIE: I think so.

The CHAIRMAN: I was wondering. We could come back to it a little later, because there are some questions on the private pension schemes.

By Mr. Laing:

Q. What have you to say about the contribution of the federal government to civil service superannuation?—A. I am sorry but I have not got that information. I must have overlooked your question. But I can easily get it.

Mr. FLEMING: Would you be good enough to include the other things? There are some crown corporations as well but they may not be directly in the civil service superannuation fund.

The CHAIRMAN: Are there any other questions on this? Now, Mr. Ferrie, you may raise your question.

Mr. FERRIE: Thank you. It is all right.

By Mr. Laing:

Q. This is growing at a terrific rate. In three years it is a very significant figure.—A. These are very significant figures.

Mr. CROLL: I think it is a very good thing. I would like to see that figure twice as much without disturbing it.

By Mr. Fleming:

Q. You have a figure of personal contributions and employers contribution of about $125 million a year now as reported to the Department of National Revenue, which are put into private pensions schemes; and that represents about $35 million a year to the treasury in tax loss as a result of exemptions?—A. Yes, except to the extent that when the pensions are paid they are taxable.

Q. Yes, they become part of the taxable income.—A. When they are paid, if they are high enough to be taxable.

By Mr. Laing:

Q. What proportion do you think would be taxable? Would your yield be of the nature of the thing we have been discussing?—A. Yes. These 85,000 taxpayers of course are taxpayers now. Presumably to the extent that people protect themselves in one form or another by pension plans, the number of people in the taxable brackets may rise somewhat.

Q. I am not critical of this trend at all. I merely point out that this is something of concern to many people. All taxpayers are contributing to these pensions but only a very small proportion receive the benefits. There is this loss to the treasury. Everybody is contributing towards it. The farmer or the self-employed person is complaining that he is not getting the benefit of this present scheme although he is contributing.

By Mr. Fleming:

Q. You have figures of the number of individuals embraced in the scheme. We had figures at an earlier stage, and I wondered how your figures compared

with those which we had earlier. The number of individuals covered by this scheme is reflected in the returns to the Department of National Revenue.—A. I assume so; and when the Department of Labour made their survey, they had access to those figures. I have no independent calculations.

Mr. KNOWLES: Mr. Willard has those figures, Mr. Chairman.

The CHAIRMAN: We shall adjourn, gentlemen; and tomorrow we shall meet at 4:30 p.m. only, on account of the reception to be given to the Prime Minister of Pakistan.

—The committee adjourned.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 28

WEDNESDAY, MAY 31, 1950

WITNESS:

Mr. F. P. Varcoe, K.C., Deputy Minister of Justice

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

WEDNESDAY, May 31, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4:30 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Fallis, Horner, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Blair, Brooks, Brown *(Essex West)*, Cannon, Corry, Cote *(Verdun-La Salle)*, Courtemanche, Croll, Fleming, Homuth, Knowles, Laing, Noseworthy, Robertson, Smith *(Queens-Shelburne)*, Weaver, Welbourn.

In attendance: Mr. F. P. Varcoe, K. C., Deputy Minister of Justice, and Dr. G. F. Davidson, Deputy Minister of Welfare.

Mr. Varcoe presented a memorandum in the form of a letter to the Chairman, submitting his opinion on certain constitutional questions referred to him by some members of the committee.

Mr. Varcoe's memorandum together with attached extracts from the judgment of the Privy Council dated January 28, 1937, on the validity of the Employment and Social Insurance Act of 1935 (Judgment delivered by Lord Atkin), was taken as read and ordered printed in the Minutes of Evidence.

Examination of Mr. Varcoe followed.

The Chairman laid on the table submissions received from:

(a) *La Confédération des Travailleurs Catholiques du Canada, Inc.* (Catholic Workers' Confederation of Canada)

(b) The Canadian Association of Incurables.

On motion of Mr. Croll.

Ordered,—That these submissions be printed in Appendix to this day's Minutes of Proceedings and Evidence. *(See Appendices "A" and "B".)*

The Committee then adjourned until Thursday, June 1, at 11:30 a.m.

R. ARSENAULT
Clerk of the Committee.

63632—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
WEDNESDAY, May 31, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4.30 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Senator King, Senator Fallis and gentlemen, Mr. Varcoe, the Deputy Minister of Justice, was good enough to answer certain questions that were asked of him by your chairman and by Mr. Fleming. The answer that he sent me was distributed to the members of the committee this morning, together with extracts of a judgment of the Privy Council, to which judgment Mr. Varco referred in his letter to me. I believe all members of the committee have read the letter and the judgment. They will appear at this point in the record.

DEPARTMENT OF JUSTICE

OFFICE OF THE DEPUTY MINISTER
OTTAWA, May 30, 1950.

JEAN LESAGE, Esq., M.P.,
Chairman, Joint Committee on Old Age Security,
House of Commons,
Ottawa.

DEAR MR. LESAGE:

You have asked my opinion on a number of questions relating to the authority of Parliament to enact legislation for the raising of moneys to pay old age pensions, and also relating to the effect of agreements with provincial governments with regard to old age pensions in such schemes. You have also referred to me certain questions raised by Mr. Donald Fleming, M.P., on the same subjects. I set out below the questions and my answers to them. I reserve the question of provincial agreements or participation which you have asked in connection with each question until after I have answered your questions as to the authority of Parliament.

Question 1: Can the Federal Government impose a universal system of old age security derived from general revenue? I understand your question contemplates payment of a universal no-means test, unconditional flat rate pension out of the Consolidated Revenue Fund from general revenue.

Answer: In my opinion, it is within the authority of Parliament to enact legislation for this purpose. Such legislation is merely an appropriation of public moneys to be disbursed for a particular purpose.

Question 2: Would an amendment to the B.N.A. Act be necessary to impose such a social security tax "earmarked" for the payment of old age pensions.

Answer: The revenue from such a tax would, according to my understanding, be accounted for in a special account in the Consolidated Revenue Fund. Payment of the pensions would be made out of this public account in whole or in part. The payment of pension in any year would be made out of the taxes collected for that year and pensions would not be related in any way to previous payments of tax made by the pensioner.

In such a plan, there would be no complete disjunction of the compulsory taxation measure and the pension payments. Consequently, there would always be the possibility of the courts holding the plan to be a compulsory insurance act invalid for the reasons given by the Privy Council in connection with the Employment and Social Security Act Reference in 1937.

I cannot undertake to advise upon this question without having a complete bill before me.

Question 3: Can Parliament enact legislation to establish a contributory scheme of old age pensions similar to that under the Unemployment Insurance Act? I understand that it would be contemplated that contributions would be required to be made by employees, employers and the federal government. The amount of pension payable to any individual would be related to the contributions made by or on his behalf.

Answer: In my opinion, Parliament has not the power to enact legislation to establish such a scheme. The decision of the Privy Council in 1937, holding the Employment and Social Security Act to be invalid, specifically would invalidate legislation of this character.

The foregoing answers will, I believe, also answer all the questions asked by Mr. Fleming, except his question as to whether Parliament may enact legislation providing for the imposition of "earmarked" contributions for payment of pensions to the persons who contribute in amounts related to their contributions. In the judgment referred to in the preceding paragraph, there is a suggestion that a fund so established would be "an insurance fund" and for that reason open to serious doubt as to its validity. In the light of this opinion, I cannot advise that Parliament may, without amendment to the B.N.A. Act, establish such a fund.

You also ask whether agreement with the provinces is necessary to carry out any of the schemes mentioned in the foregoing questions. Such an agreement might relate merely to administration or might also provide for provincial participation in the scheme or might provide for appropriate amendment to the constitution.

In the first place, I should point out that an agreement between the federal and provincial governments would not confer authority on Parliament to enact legislation that it could not otherwise enact. As indicated above, in my opinion Parliament may legislate for the old age pension scheme mentioned in the first question but may not do so for the scheme mentioned in the third question. As regards the scheme mentioned in the second question, as indicated, I cannot advise without having a draft of the project before me. Agreement with the provincial governments is not, therefore, necessary for these schemes. Moreover, it would not authorize the scheme mentioned in your third question, which is outside the authority of Parliament.

Secondly, I am of opinion that it is within the authority of the federal and provincial governments to enter into such agreements as may be deemed advisable for the administration of any of the foregoing proposals that are within the authority of Parliament. Agreements for this purpose are, however, not necessary for the carrying out of the scheme.

Finally, a joint scheme involving participation by both federal and provincial governments might take one of several forms. If the scheme is to be established by the provincial legislatures and federal participation is limited to making conditional grants to assist in the scheme, I am of opinion that it is within the authority of Parliament to make a conditional grant to assist a provincial old age pensions scheme.

Yours very truly,

(Sgd). F. P. VARCOE,
Deputy Minister.

EXTRACTS FROM THE JUDGMENT OF THE PRIVY COUNCIL DATED JANUARY 28, 1937 ON THE VALIDITY OF THE EMPLOYMENT AND SOCIAL INSURANCE ACT OF 1935

(The Judgment was delivered by Lord Atkin.)

Reference: Law Reports, Appeal Cases 1937, Page 355. The Extract is from Pages 365 and following.

The substance of the Act is contained in the sections constituting Part III. They set up a now familiar system of unemployment insurance under which persons engaged in employment as defined in the Act are insured against unemployment. The funds required for making the necessary payments are to be provided partly from money provided by Parliament, partly from contributions by employed persons, and partly from contributions by the employers of those persons. The two sets of contributions are to be paid by revenue stamps. Every employed person and every employer is to be liable to pay contributions in accordance with the provisions of the second schedule, the employer being liable to pay both contributions in the first instance, recovering the employed person's share by deduction from his wages, or, if necessary, in certain cases by action.

There can be no doubt that, prima facie, provisions as to insurance of this kind, especially where they affect the contract of employment, fall within the class of property and civil rights in the Province, and would be within the exclusive competence of the Provincial Legislature. It was sought, however, to justify the validity of Dominion legislation on grounds which their Lordships on consideration feel compelled to reject. Counsel did not seek to uphold the legislation on the ground of the treaty-making power. There was no treaty or labour convention which imposed any obligation upon Canada to pass this legislation, and the decision on this question in the reference on the three labour Acts does not apply. A strong appeal, however, was made on the ground of the special importance of unemployment insurance in Canada at the time of, and for some time previous to, the passing of the Act. On this point it becomes unnecessary to do more than to refer to the judgment of this Board in the reference on the three labour Acts, and to the judgment of the Chief Justice in the Natural Products Marketing Act which, on this matter, the Board have approved and adopted. It is sufficient to say that the present Act does not purport to deal with any special emergency. It found itself in the preamble on general world-wide conditions referred to in the Treaty of Peace: it is an Act whose operation is intended to be permanent: and there is agreement between all the members of the Supreme Court that it could not be supported upon the suggested existence of any special emergency. Their Lordships find themselves unable to differ from this view.

It only remains to deal with the argument which found favour with the Chief Justice and Davis J., that the legislation can be supported under the enumerated heads, 1 and 3 of s. 91 of the British North America Act, 1867: (1) The public debt and property, namely (3.) The raising of money by any mode or system of taxation. Shortly stated, the argument is that the obligation imposed upon employers and persons employed is a mode of taxation: That the money so raised becomes public property, and that the Dominion have then complete legislative authority to direct that the money so raised, together with assistance from money raised by general taxation, shall be applied in forming an insurance fund and generally in accordance with the provisions of the Act.

That the Dominion may impose taxation for the purpose of creating a fund for special purposes, and may apply that fund for making contributions in the public interest to individuals, corporations or public authorities, could not as a general proposition be denied. Whether in such an Act as the present compulsion applied to an employed person to make a contribution to an insurance fund out of which he will receive benefit for a period proportionate to the number of his

contributions is in fact taxation it is not necessary finally to decide. It might seem difficult to discern how it differs from a form of compulsory insurance, or what the difference is between a statutory obligation to pay insurance premiums to the State or to an insurance company. But assuming that the Dominion has collected by means of taxation a fund, it by no means follows that any legislation which disposes of it is necessarily within Dominion competence.

It may still be legislation affecting the classes of subjects enumerated in s. 92, and, if so, would be ultra vires. In other words, Dominion legislation, even though it deals with Dominion property, may yet be so framed as to invade civil rights within the Province, or encroach upon the classes of subjects which are reserved to Provincial competence. It is not necessary that it should be a colourable device, or a pretence. If on the true view of the legislation it is found that in reality in pith and substance the legislation invades civil rights within the Province, or in respect of other classes of subjects otherwise encroaches upon the provincial field, the legislation will be invalid. To hold otherwise would afford the Dominion an easy passage into the Provincial dominion. In the present case, their Lordships agree with the majority of the Supreme Court in holding that in pith and substance this Act is an insurance Act affecting the civil rights of employers and employed in each Province, and as such is invalid. The other parts of the Act are so inextricably mixed up with the insurance provisions of Part III, that it is impossible to sever them. It seems obvious, also, that in its truncated form, apart from Part III, the Act would never have come into existence. It follows that the whole Act must be pronounced ultra vires, and in accordance with the view of the majority of the Supreme Court their Lordships will humbly advise His Majesty that this appeal be dismissed.

Mr. E. P. Varcoe, Deputy Minister of Justice, called:

The CHAIRMAN: Do you wish to add anything, Mr. Varcoe?

The WITNESS: No, sir.

The CHAIRMAN: Are there any members of the committee who wish to ask questions?

Mr. FLEMING: I think Mr. Varcoe's letter is pretty clear; the only thing that is left in doubt constitutionally is this middle ground, and I presume in view of the doubts surrounding it that it will have to be the subject of a dominion-provincial conference.

By the Chairman:

Q. Would you say, Mr. Varcoe, it would be dangerous to undertake to impose a social security tax which would be related in a certain way, even if indirectly, to the payment of old age pensions? Do you think that would be dangerous?—A. Well, that depends very largely on the terms of the proposal and it is very difficult to discuss this sort of thing without having a concrete proposal before you. I would not go so far as to say I think it could not be done.

Q. I understand that in saying this you have in mind what Lord Atkin said in his judgment, which is at the top of page 2 of the note: "That the dominion may impose taxation for the purpose of creating a fund for special purposes, and may apply that fund for making contributions in the public interest to individuals, corporations or public authorities, could not as a general proposition be denied." Later on Lord Atkin qualifies that assertion when he says: "But assuming that the dominion has collected by means of taxation a fund, it by no means follows that any legislation which disposes of it is necessarily within dominion competence." Then he goes on to add: "It may still be

legislation affecting the classes of subjects enumerated in section 92, and, if so, would be ultra vires." Now, would any class of subjects mentioned in section 92 be affected by such a social security tax in view of the payment of old age pensions?—A. Well, if you regard the old age pension, as I think you are bound to do, as a form of insurance then it falls right within the Employment Insurance case. In preparing my answer to question 2, I was not thinking of any particular sentence in that judgment, but the general result, which is, that if you impose a charge on persons in connection with a scheme which has an insurance object, then you are invading the provincial field.

By Hon. Mr. King:

Q. That is, we could not as a federal government impose a tax for old age pensions without the consent of the provinces?—A. That is true if the scheme cannot be differentiated in some way from the Employment Insurance scheme of 1934.

Q. And the Employment Insurance scheme of 1934 was agreed to?—A. There was a subsequent amendment to the B.N.A. Act.

The CHAIRMAN: Which was agreed to by everyone.

The WITNESS: The original Act passed in 1934 was held ultra vires for reasons given in that judgment, and then the provinces agreed to the amendment.

By Mr. Homuth:

Q. Suppose instead of imposing a special tax you just took it out of the general treasury, then the answer is obvious?—A. Yes.

Q. Then there is no question of constitutional authority?—A. I think not; I hope not.

Q. It is just a question of whether you put on a special tax. When the old age pension was passed originally money came out of the general pocket, of course, of the provinces, because naturally they were taxed in an indirect way. They all paid their taxes to the federal treasury, but many of the provinces did not enjoy old age pensions for some years after?—A. Yes, that is right.

Mr. HOMUTH: But the money came out of the federal treasury without any distinct tax.

The WITNESS: Part of it.

The CHAIRMAN: The questions asked in writing to Mr. Varcoe related to a system which would be federal only.

By Mr. Cannon:

Q. In the answer to the second question you say that you cannot undertake to advise without having the complete bill before you. You also said a minute ago that the levy of money in order to pay an old age pension would necessarily be some form of insurance and would therefore come under section 92. Now, my suggestion is this: if there is no relation between the payment of a premium and the payment of the pension—in other words, whether a man paid a social security tax or not he would get the old age pension—would it be agreed there would be no such relation?—A. That is so, but one must bear in mind that under the Employment Insurance reference there was a class of person there being taxed who was not being insured, and that was the employer.

Q. Yes, but at the same time there was a person being taxed who very definitely was being insured.—A. Presumably everybody who paid the tax would expect to survive to enjoy the day when they would get the pension.

Q. You say you would not like to give an opinion before seeing the bill, but supposing the bill set out very clearly there was no such relation between the payment of the premium and payment of the benefit; in a case like that, would

you be prepared to say it would not come under section 92?—A. I tried to think that through and I have not succeeded so far in envisaging any bill that would differentiate it from unemployment insurance.

By Mr. Fleming:

Q. Would you be prepared to say it is doubtful if parliament could enact legislation for the purpose of earmarking a special levy for a special purpose?—A. Well, that depends on what the tax was. Suppose it was customs duty or some other indirect tax, there you may have produced a complete disjunction between the tax and the payment of the pension. In that case the persons who paid that customs duty let us say, are certainly not the people who are going to be pensioned. Supposing you put a tax solely on corporations? I just put that hypothetical question forward to show there may be a possibility of producing the necessary disjunction. Does that answer your question?

Q. No, I wish to carry it a stage further and have you indicate in your opinion what result would follow. Assuming, in line with question 2, that the moneys may simply be coming into the consolidated revenue account, then they are not held by any separate trustees?—A. No, I was not thinking of that as having any significance whatsoever, but I was thinking of the extent to which the taxpayer and pensioner are identical or may ultimately be identical. For example, if this tax was imposed in such a way that it became perfectly clear it was going to be borne largely by the persons of low income, who might be expected to be those who would be pensioned ultimately, would it not be quite clear that you are exacting a contribution from them for the purpose of providing for their pension or insurance, and that would bring you directly under this judgment.

Q. That is the essence of the situation?—A. Yes.

Q. Now, we have had various propositions as to how this particular tax could be collected and earmarked for this purpose, by having one or two taxes earmarked for this purpose, or by taking a new cut on the income tax and earmarking it for this social security purpose. I take it it is your view that would fall clearly within the ban put on the federal legislation by the Privy Council?—A. The last mentioned example I think would fall right within it.

Q. Suppose we take a little different case where the money is not being earmarked and parliament is not worrying about an exact balance between the levy and the payments out. Supposing the money is designed by parliament generally for the purpose of supplementing existing revenues for the purpose of providing social security benefits, but it is not earmarked in any sense?—A. You are taking it out of one tax.

Q. It is not in question 1, because question 1 does assume a single fiscal payment.—A. I do not think I quite understand.

Q. We are getting away from a specific earmarking, but actually parliament, without worrying about the balance between income and outgo, is adding an additional tax in some form or other for the purpose of providing more money in consolidated revenue for the purpose of paying these particular benefits?—A. I would not think from a constitutional viewpoint that would be really different from question No. 1. Presumably parliament would increase taxes in some way or other to get money for this pension.

By Mr. Homuth:

Q. Supposing you put on an extra sales tax which everybody pays?—A. That is the very case that I cannot make up my mind about until I see the bill in writing. There you have a lot of people paying a tax who would never be pensioned; corporations, for example.

Q. You still would correlate the potential pensioner with your fund?—A. Every potential pensioner would certainly pay something towards this pension, that is right.

Q. If we combine the plans in question (1) and question (3), we would be risking the constitutionality of the whole thing, sir, I take it?

The CHAIRMAN: How could you?

Mr. FLEMING: We have it suggested, for instance, that there should be a universal payment to all persons over 70 years of age, and as to persons 65 to 69 there should be something similar to the present system, with federal contributions up to a stated maximum paid through the provincial government to pensioners with a means test, that part of the scheme being administered by the provinces, the first part of the payment, the fiscal payment, being administered by the federal government directly. Now, if we put those two into the whole bill we would risk the constitutionality of the whole thing.

The WITNESS: Yes.

Mr. CROLL: I do not follow that.

The CHAIRMAN: I understand the answer given by Mr. Varcoe to Mr. Fleming's question is to the effect that if we have a double scheme, one part of which would be universal and which would call for contributions, and another part for which there would not be any contributions, but under a scheme which we would work out with the provinces, the whole thing would be unconstitutional.

Mr. FLEMING: Mr. Chairman, there are two combinations there, and the one you stated is not the one I put to Mr. Varcoe. Let us take first of all—forget for the moment about the questions in Mr. Varcoe's letter—if in one measure it says we will provide—I am not talking now about how the money is being raised—payment of $40 a month universally to all persons 70 years of age and over without a means test and at the same time provide for payments under a scheme similar to the present scheme—

Mr. CROLL: Contributions?

By Mr. Fleming:

Q. —under which parliament is contributing to the provinces, to the group between 65 and 69.—A. Plus a tax?

Q. Let us stop there for the moment. I think that is the point which Mr. Croll was troubled about. Up to that point can we combine those two as long as we have the same kind of scheme as we have now?—A. That is to say, the federal payment would be made out of general revenue?

Q. General revenue. I am not raising the question of contributions at the moment.—A. I cannot see any difficulty about that.

Mr. KNOWLES: Not any more than the present system?

By Mr. Fleming:

Q. Then, stage two; the money parliament is devoting to these two purposes is raised by some form of earmarked payments, either a tax earmarked for the purpose or a direct contribution by an individual to some fund set up for the purpose. I take it on that basis the constitutionality of the whole scheme in the one measure would be jeopardized?—A. I take it that the dominion pension would be provided for by dominion law, the 70 and over pension, and the assisted pension would be provided for by the provincial law with contributions?

Q. With federal contributions through the provincial governments, similar to the present arrangement.

The WITNESS: Would the tax you speak of go to meet both the dominion payments?

Mr. FLEMING: Yes, it would go to provide the money that the federal government is providing for those two purposes.

The CHAIRMAN: In whole or in part.

By Mr. Fleming:

Q. I would like the answer for that one.—A. I have not thought of it, Mr. Fleming, but I would be doubtful, just offhand, as to the validity of it. I am taking it that the tax would be an earmarked tax.

Q. Yes, that is what I said, earmarked.—A. I do not see how that would differentiate from No. 2.

Q. In other words, if you try to combine your schemes one and two then the doubts as to the constitutionality of No. 2 will affect your No. 1 system, too?

The CHAIRMAN: There is no doubt about that.

Mr. KNOWLES: The doubt hinges on what?

Mr. CROLL: The doubt is on the earmarking.

The CHAIRMAN: The danger is in the earmarking, constitutionally speaking.

Mr. CANNON: The danger is in the earmarking because of the resemblance to insurance.

Mr. CROLL: Yes, but we have some new aspects entering into it.

The WITNESS: It may be that you can produce some sort of a bill that would not be insurance at all; notwithstanding the use of the word in the Act itself I was surprised when this employment insurance scheme was called, by the court, insurance

Mr. CROLL: And in addition to that, Mr. Varcoe, I do not think we need overlook the fact that we are here before our own Supreme Court, with our own people looking at it, rather than people from afar looking at it.

Mr. CANNON: I think the witness should not be asked to express an opinion on that.

By Mr. Fleming:

Q. Well, then, I will ask this question: in Mr. Varcoe's opinion is this extract from the reasons of the Privy Council in the 1937 case good law in Canada today?—A. Certainly it is.

Q. There is your answer.

The CHAIRMAN: "Stare decisis," Mr. Fleming, you fought for that principle on the Supreme Court bill in the House.

Mr. LAING: I would like to know if the arrangement existing at the present time has legal force or is that on the basis of an agreement between the federal government and the provinces. I know there is enabling legislation there but in the examples given by Mr. Fleming we must retire from the present arrangement. What process would you use in retiring from the present arrangement?

The WITNESS: Just enact a new law in place of the one we have.

Mr. LAING: There is no basis, then, of a legal attachment of the provinces to the federal legislation.

The WITNESS: I am sure that I could not say.

Mr. LAING: Let us assume that the province says, "no, we like it the way it is."

The WITNESS: Of course, parliament does not have to continue; there is no legal obligation on parliament to continue under the present arrangement.

By Mr. Fleming:

Q. The federal government has not entered into any agreements with the provinces in relation to the maintenance of the present system?—A. Not for any period beyond a year anyway.

Q. There are some administrative arrangements but there has been no obligation entered into by the federal government with the provincial governments to continue the present scheme of old age pensions?—A. Not beyond, say, the present fiscal year, or something like that.

Q. Even that?—A. I do not think there is any.

Mr. COTE: Is there not any period binding upon the provinces under the present argument?

Mr. FLEMING: I do not know whether there was any agreement apart from the arrangement of administrative practice.

Dr. DAVIDSON: There is a clause in the Old Age Pension Act which says in effect that the dominion cannot abrogate any agreement made with the provinces short of ten years advance notification.

Mr. FLEMING: But what agreement is there? That is a clause in the statute in relation to the abrogation of an agreement, but what agreements have we got?

Dr. DAVIDSON: We have agreements with the provinces.

Mr. FLEMING: What do the agreements cover? Is there any undertaking to pay indefinitely, or is it simply an arrangement of administrative practice?

Dr. DAVIDSON: It is an agreement which reimburses the provinces on the basis prescribed in the Act for payments to persons found eligible under the legislation.

Mr. FLEMING: Is that an open end agreement?

Dr. DAVIDSON: It is an open end agreement in terms of time, and, as I understand it, the agreement that is referred to in the Federal Old Age Pension Act.

Mr. CANNON: As I recall it all provinces did not enact the necessary legislation at the same time; they came in one after another and all made separate agreements with the federal government.

Dr. DAVIDSON: That is right.

Mr. CANNON: So there are separate agreements?

Dr. DAVIDSON: Yes.

Mr. FLEMING: I think I had better ask Mr. Varcoe his opinion on the constitutionality of the agreement?

Mr. KNOWLES: Is it not the case that if the dominion offered a better agreement to the provinces there would be a pretty good chance of a change?

The CHAIRMAN: That is a political point of view, and not the legal point of view.

Mr. KNOWLES: There is no obstacle; the ten year agreement does not prevent the provinces and the dominion from jointly agreeing to a change?

The CHAIRMAN: No, but if we want to change it I think we have to have the provinces concur.

Mr. FLEMING: Mere agreement with the provinces does not permit either side to override the constitution.

The CHAIRMAN: No.

Mr. FLEMING: That is quite clear from the opinion Mr. Varcoe expressed in his letter.

Mr. KNOWLES: Your department ruled in 1924 or 1925 that the present Act, that is the present Old Age Pension Act, was within the constitution?

The WITNESS: I read the late Mr. Stuart Edwards' opinion on it in Hansard the other day. I did not know about it before that but I think it is a fair interpretation of what he said.

Mr. FLEMING: Have you any doubt as to the constitutionality of the present Old Age Pension Act?

The WITNESS: No, I was not suggesting anything of the kind.

Mr. CROLL: It would be a little late for doubts, anyway.

By Mr. Knowles:

Q. Following what Mr. Fleming has said, you feel that it is constitutional for parliament to pass an Act which, on the benefit side, has Mr. Fleming's suggested proposals—$40 at age 70 for everyone without a means test, and $40 from age 65 to age 69 on a joint dominion-provincial basis? I believe you said that? —A. Yes.

Q. Would you be prepared to say how far parliament could go on the taxing side, to get money to pay that kind of a program, without having to have an amendment to the constitution?—A. I cannot quite understand what you mean by "how far they would have to go," that is the difficulty there? A taxing measure would either be good or bad. I do not know where you would draw the line.

Q. Let me put it to you this way: if parliament chose to collect the money wholly by means of general revenue there would be no questions?—A. No.

Q. At the other extreme, if it was completely earmarked, there might be some question?—A. There might be, depending on what form of taxation it is. I suggested a few minutes ago that, supposing it were a customs duty, there would not be much connection between a customs duty and the payment-out of the pension; you might be able to find a complete disjunction there between the taxpayer and the pensioner.

Mr. BROWN: Is there a limit to the jurisdiction?

The CHAIRMAN: Please, Mr Brown.

Mr. KNOWLES: Is there any taxation method in between the extremes of completely unearmarked general revenue and an earmarked social security tax? For example, supposing parliament in the same session were to enact an old age security measure, such as the one we have been talking about, and enacted changes in the income tax, without earmarking it to clearly provide the amount of money the Old Age Pension Act will ask for—

The CHAIRMAN: You have your answer in Lord Atkin's judgment. I will quote:—"It is not necessary that it should be a colourable device or a pretence—"

The WITNESS: That would depend upon whether the form of the taxing measure, as the words used there indicate, was utilizing a colourable device.

Mr. HOMUTH: In other words, you are not supposed to fool anybody?

The CHAIRMAN: That is what the judgment says.

The WITNESS: You are not to deceive anybody.

Mr. KNOWLES: It might be that deceptive means would be for that purpose —namely to refrain from deceiving people.

The CHAIRMAN: That is where it can become unconstitutional.

By Mr. Brown:

Q. Is there any limitation on the right of the federal government to impose taxation, provided that it is done within their jurisdiction?—A. There is no limit on parliament's power to impose taxation, except that it may not do so, I presume, for provincial purposes.

Q. I said "provided it is within their jurisdiction?"—A. Yes.

Q. Provided it is within the jurisdiction of the federal government there is no limit to the taxation they may impose?—A. No, but in this case it was said that it was not taxation at all—that it was just part and parcel of an insurance scheme. It was said, for example, that it was just the same as if parliament had obligated individuals to pay premiums to an insurance company.

The CHAIRMAN: You are following the decision, word for word.

Mr. CROLL: But that was on an actuarial basis, was it not, Mr. Varcoe?

The WITNESS: I do not know whether it was on any actuarial basis, Mr. Croll, and that is why I was doubtful at the inception of that Act that it was an insurance Act at all; but nevertheless the Privy Council took that view of it.

Mr. HOMUTH: It was not on an actuarial basis because we have had it changed since. The very fact we had to make changes since shows that it was not on an actuarial basis.

Mr. KNOWLES: It might have been on an actuarial basis but yet not actuarially sound. May I put it this way then, to be perfectly safe: as far as parliament is concerned at the present time, we would have to stick to general revenue?

The WITNESS: Well, I will put it this way, Mr. Knowles; that if you do stick to general revenue you will be perfectly safe.

The CHAIRMAN: But you would have to get agreements from the provinces anyway.

Mr. CROLL: Yes.

The CHAIRMAN: Because there is a ten years' notice in the Act itself.

Mr. KNOWLES: Just the same as in 1927 it is still necessary to get agreements from the provinces before the scheme could go into effect.

Mr. CROLL: Yes, and it was ten years before you finished getting approvals.

Mr. KNOWLES: But if the kind of Act we have been talking about came into effect you could begin payments to those over 70 right away but provision for the other group would be subject to a special agreement.

Mr. CANNON: From the purely mechanical point of view is it not right to say that you would have to have an agreement with the provinces in order to put it into effect?

The CHAIRMAN: That is the practical aspect of it. You may call it the political approach when you work between governments.

Mr. CANNON: You may talk about the political point of view if you like, but you have to have an agreement between the parties, both parties must be satisfied.

The CHAIRMAN: Exactly.

Mr. BROWN: That is the practical point of view isn't it, not the legal? When you get the other side to agree on something it is a bargain.

The CHAIRMAN: You call it a bargain?

Mr. BROWN: If you agree, it is a bargain.

The CHAIRMAN: Well, gentlemen, are there any other questions? I believe that members of the committee are clear on the legal angle. On behalf of the committee I wish to thank you very much for your attendance, Mr. Varcoe, you have been very helpful.

I have before me here two briefs which have been submitted to the committee, one is from "La Confederation Des Travailleurs Catholiques Du Canada, Inc." and the other is from The Canadian Association of Incurables. Shall we have these put in as appendices to todays' proceedings?

Some Hon. MEMBERS: Agreed.

Appendix "A", brief by "La Confederation Des Travailleurs Catholiques Du Canada, Inc."

Appendix "B", brief by The Canadian Association of Incurables.

The CHAIRMAN: We will meet tomorrow morning at 11:30 a.m., after orders of the day have been completed, and our witness will be Mr. MacNamara, Deputy Minister of Labour.

—The committee adjourned.

APPENDIX "A"

Brief Submitted by

LA CONFEDERATION DES TRAVAILLEURS CATHOLIQUES DU CANADA, INC.

(CATHOLIC WORKERS' CONFEDERATION OF CANADA)

May, 1950

Mr. Chairman,
Members of the Joint Committee:—

The C.T.C.C. is pleased to inform you of the old age security measures which its members would like to see established in Canada. The opinion which we wish to express here is based upon resolutions adopted at our last annual Congress held in September 1949. We wish to point out, however, that we shall of necessity be brief in this submission as the problem of social security is to be studied in more detail at our next Congress in September 1950. We will then be in a position to make further representations to the Federal Government to complete our thoughts on this question.

I. PRINCIPLES

Social security is an objective which organized labour is pursuing at all times. It brings greater protection to the worker and his family and logically complements wages which are often too meagre to guarantee the future. In particular, the labour movement wishes, as its definite objective, to obtain for workers a retirement pension which will be sufficient to ensure the security of their old age. The worker who has, for the advantage of his community, devoted all his life to the practice of a trade or a profession is entitled to demand that the community look after his subsistence when he has reached retirement age.

The C.T.C.C. is interested in all the problems raised by the application of a retirement pension plan. But it wishes to pose here, as in many other fields, the *principle of professional responsibility*. A measure such as the one with which we are dealing now, and which so closely affects the worker as such, requires that the professional organization be the first to seek its implementation by the carrying-out of means at its disposal.

That is why we are claiming for our labour unions the right to have included in their collective working agreements, clauses dealing with social security as well as the right to participate with the employer in the administration of such security plans. We believe that professional federations are the best qualified to conduct such negotiations by having several undertakings of the same kind co-operate in a common plan.

But it is understood that a retirement pension plan which would be negotiated at the professional level could never cover all real needs in this field, nor even cover all industries as many are not yet completely under the jurisdiction of collective working agreements. It is then absolutely necessary that the State meet the remaining needs. Indeed it is its proper role.

We are quite persuaded that the State's help in such a field is indispensable because a State plan is the only one which will apply to all occupations, will enable a worker to benefit from it at all times whether or not he changes jobs, and will not be submitted to the arbitrary decisions of the employer. We prefer such obvious advantages and this great effectiveness to the fictitious freedom proffered by insurance companies when their interests dictate to them a fight against any social security coming from the State.

II—Role of the State

In the light of the principles which we have just outlined, here is how we wish the State to take an interest in the problem of old age security and in the improvements we should like to see made in the present old age pension scheme.

(1) The State, first of all, should include in its legislation the principle of negotiation of retirement pension plans. Labour unions should be granted the right to negotiate such plans and employers should be compelled to discuss these clauses as well as others.

(2) Government plans should represent a minimum under which one could not decently go. We believe that this now represents at least $50 per month. In suggesting that figure we wish to take into account present needs which have increased at the same rate as the increase in the cost of living. This principle has inspired the federal authorities themselves who have increased the pension from $20 in 1943 to $25 in 1947 and to $40 in 1949.

(3) We also suggest that the age of eligibility for retirement pension be lowered to 65 for men and to 60 for women. Experience has shown us that, while our population is constantly ageing, the productivity of labour is also rapidly increasing. This means that the more abundant the production is, the greater is unemployment due to an ever increasing mechanization. It is then necessary that a national retirement pension plan take account of the fact that, in the future, man will become useless in the factory much earlier than now. However, retirement at that age should be left on a voluntary basis so that those who in spite of everything are still capable may be free to work and give to their country the benefit of a source of production which is quite appreciable because it is so experienced.

(4) We wish especially to join with all those who are requesting the elimination of the means test in connection with the granting of a pension. We submit that such a means test is humiliating for the worker and gives the impression that he has to accept charity after a lifetime of work. Pensions should be granted without distinction to all workers as a "vested right by the fact of work". This will automatically reduce some of the abuses due to politics.

(5) We wish to point out that we find excellent the present system of concurrent legislation based on federal-provincial co-operation. We are asking only that the membership of the commissions appointed to administer a pension plan be made representative. In particular, the working class is entitled to its representatives on such commissions. To ensure the participation of the population in this public service will be an answer to those who with reason fear State control.

(6) Taking into account the principle of professional responsibility, which we have mentioned above, we would be especially reluctant to see the State pension plan take the place of plans negotiated on the level of private enterprise. It is necessary that measures of social security negotiated and administered by professional organizations be always given priority, on the condition that their advantages are not less than those offered by State plans. One must not forget that the role of the State in this field is complementary. Consequently, and as an example, negotiation of such private plans should be favoured by recognizing

first that social security should be a regular part of collective agreements, by compelling employees to participate in them when such plans exist before they can apply for a pension from the State, and by not forcing beneficiaries of such plans to contribute in addition to the State plan if the latter is contributory.

(7) This brings us to the question of the cost and the financing of a retirement pension plan established by the State. We have now envisioned the various requirements of the social aspect of the question. We cannot escape the conclusion that a country as rich as ours is capable of meeting the urgent necessity of adequate measures and of offering to its population the social and economic security which it has a right to demand.

In this connection, we have noted with interest the opinion of Mr. Herridge, a member from British Columbia, expressed in the House of Commons in March last and which can be paraphrased thus: In time of war we have been able to make a gift of three billion dollars abroad. In time of peace we could give at least as much to our own people in the form of social security. Let us not forget that we can count on the enormous economic expansion of which our country is capable.

Here again, we wish to submit that if, as we request, priority is given to private plans, the burden on the State will decrease as the labour movement is developing and covering a larger section of the working population.

To round out the subject it would certainly be advisable to give more details and more explanations on each of the points mentioned in this brief. We are quite aware that the plan which we are suggesting would cost one billion dollars in about ten years time, according to the figures supplied to the House by the Honourable the Minister of Health, and that one must not believe that social security is limited to retirement pensions. We are taking all that into account but, while not being able to submit more detailed representations to you at the moment, we have wished however to inform you of the desires and the needs of some 100,000 Quebec workers whom we represent.

We hope, Mr. Chairman and members of the joint committee that this brief will be of some assistance in the enquiry which you are making for the benefit of all members of the House of Commons.

Respectfully submitted,

LA CONFEDERATION DES TRAVAILLEURS CATHOLIQUES DU CANADA, INC.

OTTAWA, May 1950.

APPENDIX "B"

BRIEF SUBMITTED

BY

THE CANADIAN ASSOCIATION OF INCURABLES

Office: 207 8th Ave. NW, Calgary, Alta.

HONOURABLE GENTLEMEN: It affords us a great deal of pleasure, as a delegation representing the Canadian Association of Incurables, to present to the Joint Parliamentary Committee on Old Age Security, our views and recommendations respecting the need of those people in Canada who have been deprived of earning a living by reason of being pronounced incurable by competent medical practitioners.

Organization

The Canadian Association of Incurables was organized in May, 1947, with headquarters in Calgary. Although our organization is but an infant, we have, over the past three years, grown to a strength much beyond our expectation. We have not sought to make it numerically strong simply by adding names to our membership list, but rather have we relied on a more or less limited membership of incurables who are seriously in need of assistance by the very nature of their incurable condition.

We would point out here that with limited funds such as usually handicap such organizations as ours, we have been unable to send out travelling organizers. Our entire organization has grown by a process of voluntary publicity and correspondence.

At the present time our registered membership is close to 3,000, representing every province in the Dominion of Canada.

Our Honourary President is the Right Reverend H. R. Ragg. Our President is Miss Eva Warden and our Secretary-Treasurer is Miss Jean Ellis. For the convenience of executive action these people all live in Calgary, Alberta.

We have official representatives in nearly all the provinces of Canada They are as follows: Saskatchewan, Miss Lydia Steffen, Muenster, Sask.; Ontario, Mr. Russel Avery, Port Robinson, Ont.; Quebec, Mr. Louis Massicotte, Montreal, Que.; Nova Scotia, Miss Kathryn Ross, R.N., Supt. of Nurses, Nova Scotia Branch of Can. Red Cross, Halifax, N.S.; Alberta, Mrs. Jeanette Shirley, Edmonton, Alta. While our membership includes many from the other provinces—British Columbia, Prince Edward Island, New Brunswick and Manitoba—we have not as yet secured official representatives for these provinces.

Mr. E. Braund, Solicitor, of London, Canada, is our legal adviser, Miss Madeline Atkinson of Edmonton, Alberta, is Director of our Public Relations Department and Rev. Isaac Thompson of Lacombe, Alberta, is our Field Representative.

No Fees

We have no membership fees. The financial circumstances of many of our members would not permit them to be members if the organization imposed a fee. All our financing has been done by voluntary contributions coming into our office in Calgary from friends sympathetic to our movement. We have no agents soliciting funds. Furthermore, we have no paid workers. Every member, whether he be an official of the organization or a boosting member, gives of his time and energy willingly and without a penny of remuneration.

Statistics

It is very difficult to secure accurate statistics on the number of incurables in Canada, and particularly the number who may come within any proposed pension scheme. Provincial Departments of Health do not appear to keep statistics. In all probability no statistical survey has ever been made.

From one newspaper clipping we are advised that there are about 6,000 incurables in Saskatchewan and about 3,000 in Alberta. Our Ontario representative estimates that there are about 48,000 incurables in Ontario. The wide difference between these figures would lead one to believe that they are not necessarily accurate. According to *Hansard,* Mr. Pouliot, M.P., estimated that there would be between 150 and 200 incurables in each constituency.

Out of our own membership it is roughly estimated that one-third are suffering from cerebral palsy or spostic paralysis resulting from birth injuries.

Nearly another third are victims of polio—one out of every three of these is a paraplegic victim. Victims of multiple sclerosis are about one out of every ten. Rheumatoid arthritis seems to be about the same.

Incurable Unemployables

We are not unmindful of the fact that there is a wide divergence existing between incurables. A person, for instance, who has lost an arm or a foot cannot very well be placed in the same category with one who is bedridden with multiple sclerosis. We are quite conscious that there may be many who are suffering a minor incurable condition and who are yet in a condition to be gainfully employed. We are not asking that there should be a blanket rate of pensions for all incurables regardless of the extent of their condition. We are particularly interested in those incurables who are unable to earn a livelihood and who are thus thrown on the mercies of relatives or charitable organizations, or regarded as indigents and thrown upon the relief rolls of our cities and municipalities, which we regard as rather a shameful condition in such a country as Canada where Providence has been so good to us.

This problem, however, we contend, is not beyond solution. While the means test for Old Age Pensions is not considered a pleasant procedure and is concerned only with the financial status of the applicant, we are not averse to some similar test being applied to determine whether or not the incurable is or is not employable. We are advised that something of this nature is applied to determine the rate of pensions granted to war veterans who come under the Pension Act. If war pensions are determined by a competent board with its medical advisers, there would appear to us to be no good reason why some such method could not be used to determine the employability and pension rates in the case of incurables.

We are given to understand that Australia has a pension scheme known as Invalid Pensions. This, we understand, is embodied in their overall Social Security Scheme and is paid for out of their National Welfare Fund which, we believe, is financed by a national service contribution levied on income, and the payroll tax. We cite this only to indicate that pensions for incurables are feasible and desirable.

Rehabilitation Not Sufficient

We are not unmindful of the fact that there are those who advocate rehabilitation programs as a solution to the problem of the incurable. While we would not discourage any good thing for these unfortunate people whose cause we sponsor, our organization does not feel that rehabilitation will meet the present situation.

We advocate pensions for incurables as the first step in permanently assisting them in their unfortunate circumstances. If the system of pensions for incurables is similar to that of Old Age Pensions there should be no good reason why the pension should not be augmented by the pensioner voluntarily taking advantage of anything offered by any existing rehabilitation programs.

Financing

As for the method of financing pensions for incurables, we realize that this would be a matter of government policy. We would point out, however, that as far as any contributory scheme is concerned, it is impossible for many incurables to make any such contributions owing to the fact that they have no income, and worse, many of them are dependent for their material existence on friends and relatives.

Rate of Pension

We do not think it is premature to suggest a rate of pensions for incurables. We realize, of course, that any rates which might be determined would be a matter of government policy. We do suggest, however, that such rates should be comparable with those rates now existing for Old Age Pensioners and Veterans' Allowance.

Resolution

Perhaps we could not do better at this time than to request the Government to give consideration to the terms embodied in a resolution passed by our Association and endorsed by our membership, and approved by many sympathetic organizations:

> Whereas nearly all classes of society have some form of social security provided through legislative action such as old age pensions, mothers' allowances, unemployment insurance, etc.;
>
> And whereas there are many cases of persons who are incurable by reason of accident, paralysis and other unfortunate circumstances over which they have no control;
>
> And whereas many of these incurable persons have no means of financial support but have become dependent upon their relatives, friends or charitable organizations;
>
> Be it therefore resolved that the federal or provincial governments will now bring forward a bill that will grant to incurables economic and social security by right of their citizenship.

In conclusion, may we express our appreciation to the Honourable Mr. Martin for his kindness in giving us an interview, and also for the interest he has shown in our cause which is evidenced by the correspondence which has been exchanged between him and our Organization.

May we also express our appreciation to the many Members of Parliament who have replied so favourably to our letters and petitions, and many of whom expressed vocally their desire on the floor of the House of Commons on our behalf.

We feel that the Committee on Old Age Security is sympathetic to our cause and will do all that is possible to assist us in our attempt to secure the objectives of our Organization. We do trust that some action will be taken along the lines we suggest, and at the earliest possible moment.

Respectfully Submitted,

CANADIAN ASSOCIATION OF INCURABLES
(Sgd.) Eva Warden,
President.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 29

THURSDAY, JUNE 1, 1950

WITNESS:

Mr. Arthur MacNamara, Deputy Minister of Labour

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

MINUTES OF PROCEEDINGS

THURSDAY, June 1, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11:30 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Farquhar, Horner.

The House of Commons: Messrs. Ashbourne, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Fleming, Homuth, Knowles, Laing, Macnaughton, Noseworthy, Richard (*Gloucester*), Robertson, Smith (*Queens-Shelburne*), Weaver, Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Mr. Arthur MacNamara, Deputy Minister of Labour; Mr. R. G. Barclay, Director of Unemployment Insurance, and Mr. C. R. McCord, Director of Annuities Branch, Department of Labour; Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Mr. Knowles referred to newspaper reports relating to the administration of Old Age Pensions' regulations in Ontario.

Dr. Davidson made a statement thereon. It was agreed that further examination of Dr. Davidson on this subject be deferred until tomorrow, June 2.

Mr. MacNamara was called. He presented a brief which was taken as read and ordered printed in the Minutes of Evidence.

Mr. MacNamara was examined thereon, being assisted by Messrs. Barclay and McCord.

At 1:00 p.m., witness retired and the Committee adjourned until 2:30 p.m., this day.

AFTERNOON SITTING

The Committee resumed at 2:30 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Farquhar, Horner.

The House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Croll, Fleming, Homuth, Knowles, Noseworthy.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Mr. Arthur MacNamara, Mr. R. G. Barclay and Mr. C. R. McCord.

The Chairman laid on the table the following documents, which, by order of the Committee, appear in appendix to this day's Minutes of Evidence:

1. Data on Family Allowances for countries on which briefs have been presented concerning Old Age Income Security Programs. (*See Appendix "A"*).
2. Invalidity pensions in Australia, Denmark, New Zealand and Sweden. (*See Appendix "B"*).
3. Personal income and social security taxes in Sweden. (*See Appendix "C"*).
4. Supplementary data concerning Old Age Income Security Programs in Countries for which Briefs have been presented. (*See Appendix "D"*).

NOTE.—Another memorandum entitled "Disability Insurance and Assistance in the United States as proposed under Bill H. R. 6000" is also incorporated in this day's Proceedings as Appendix "E" as per later instructions of the Committee. (*See Minutes of Proceedings of Friday, June 2*).

Mr. MacNamara was recalled and further examined.

At 3:45 p.m., witness retired and the Committee adjourned until Friday, June 2, at 11:30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Thursday, June 1, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.30 am. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The Chairman: Senator King and gentlemen, we have a quorum.

Mr. Knowles: May I raise a question of privilege, Mr. Chairman? It is on the same question which I asked in the House on the orders of the day a few minutes ago, to which the minister made an answer that suggested he had not seen the report in the morning papers. A similar story is in the—

Mr. Croll: That was not all he said.

Mr. Knowles: He also said there had been no change in the regulations during the last three years. The question I am raising is based on stories in the Globe and Mail and the Citizen, both of which say that the federal authorities have—perhaps the word is "ordered"—

The Chairman: The word is, "ordered". I have read the story.

Mr. Knowles: —ordered the Ontario provincial pension authorities to apply more strictly or perhaps more literally the old age pension regulations with respect to pensioners living in their own homes. The story says that this will result in about 7,000 pensioners in Ontario having the amount of their pension reduced. Now, I confess I was surprised at the story in the light of the discussion we had about that matter in this committee. I will not take the time now to quote it. I have read section 11 (a) of the regulations since reading the story and I have read the discussion we had in the committee on Tuesday, April 18. I see Dr. Davidson is present. I wonder if he could give a more complete explanation of the matter.

The Chairman: Would you care, Dr. Davidson, to make any comments?

Mr. Fleming: Mr. Chairman, I think Dr. Davidson should bring us a considered statement. I wished to raise precisely the same matter as Mr. Knowles did but he was recognized in advance of me. My suggestion is that Dr. Davidson should come prepared to discuss this question along with the other evidence he is going to give tomorrow. It is a matter of very grave importance and I think it is a matter that may take up the attention of the committee for a considerable time.

The Chairman: I have seen Dr. Davidson about the matter and he is ready to make a statement on it. We can discuss the statement tomorrow but I believe the statement should be made now.

Dr. Davidson: As far as I am concerned I am quite willing to make a statement now. If you want to ask me some more questions tomorrow that will be quite satisfactory to me.

The position briefly is this. If I were to limit my reply to Mr. Knowles' question to the specific point as to whether or not any federal officer has "ordered" the Ontario provincial pension authority to do anything about changing the regulations, the answer would be a categorical no; no orders of any kind have been given or are ever given by the federal old age pension authorities to the provincial old age pension authorities. But, that would not be a complete answer to the question or the situation which has been raised in the story.

This story was first drawn to my attention last night and following the appearance of the story in the Toronto Telegram, Mr. MacFarlane received a phone call from Mr. Asbury, the Director of Old Age Pensions in Ontario, who was in fact the person who was interviewed by the Toronto newspapers. The story emanated from Mr. Asbury and Mr Asbury stated that Mr. Goodfellow had not seen the newspaper people and had not made a statement of any kind. His reason for calling Mr. MacFarlane was that he was concerned at the way the story had appeared in the newspapers and was anxious to get in touch with us to prevent any misunderstanding as to what had been given by him to the newspapers.

The facts of the matter are these: if you refer to the evidence that I gave in the committee on April 18th, at page 70, you will see that I made specific reference to the fact that the Ontario pension authorities had recently made a change in their method of calculating the income from property used as a home. The details of that statement appear at the bottom of page 69, and at the top of page 70. Reference is also made to the Ontario procedure at the bottom of page 31 of the evidence and at the top of page 32, so that the situation which has given rise to the story is a situation which I referred to as long ago as April 18th. In actual fact it had originated from a directive which the Ontario pension authorities issued to their officials as long ago as January 1, 1950. It is not a change in the regulations, it is rather a change in procedure for calculating certain types of income which was inaugurated as from January 1, 1950.

Now, of course, it is known to members of the committee that the last occasion on which any changes were made in the federal regulations was in 1948. Therefore, so far as the story suggests that this recent change has been due to any change in the federal regulations, there is nothing in that at all; there has been no change in the regulations since 1948. The change that has taken place is the change I referred to on April 18th, a change in the procedure by which the Ontario provincial pension authorities calculate the income of pensioners living in their own homes.

Now, as to the reasons why that change was brought about let me state quite frankly to the committee that in a routine way our examiners went to the Ontario pension office for a routine examination of all files in the middle of last summer. They spent several months there, and in the course of their examinations they came across a number of cases in which they felt that the method that the Ontario pension authorities were adopting at that time for calculating income on property used as a home, on rentals, and on board or lodgers was producing some rather strange results. I say strange results because we can cite to you the case of a pensioner who was operating a commercial rooming and boarding house and who had gross income as high as $3,900 per annum from these business operations; and there were other cases that came to our attention in our examination which showed pensioners operating rooming and boarding houses with a gross income of $1,200 to $1,400—anything up to $2,000 gross income in a year,—without in any way affecting the amount of pension. Our examiners considered that these cases were somewhat out of line. When these cases were reviewed our local examiners, who are now in Newfoundland, brought the matter both to the attention of the Ontario provincial pension authority and to the attention of Mr. MacFarlane, the Director of Old Age Pensions. Mr. MacFarlane discussed this matter on the phone with Mr. Asbury, and later visited him in his Toronto office.

These matters were discussed jointly by the federal and provincial officials concerned and the provincial officials agreed with us that their method of calculating income was not satisfactory in so far as it affected these types

of individuals who are operating rooming houses, boarding houses and so on. That is about as far as the federal authority went into the picture. We expressed the view there should be some change made in the method of calculating income in these situations. The Ontario authorities agreed with us. We also felt there were complications in getting detailed receipts and so on under the method formerly used by the Ontario pension authorities. With that the Ontario authorities undertook on their own responsibility to produce a new directive for the calculation of income which they would make effective on January 1, 1950. That directive is the one I referred to on page 9 of the proceedings of April 18th which provides that property used as a home would henceforth be calculated on the basis of four per cent of the assessed value without regard to whether or not encumbrances are on the home. As far as I am aware it is that situation which is the cause of the story which appeared in the newspapers last night and this morning. I have no means of knowing and I do not know how anybody would have any means of knowing how many cases would be affected one way or the other by this new procedure adopted by the Ontario pension authorities. I would add simply from the information we have from Mr. Asbury that some cases are affected adversely and some are affected beneficially. That, perhaps, might suffice for the members in the way of a statement at the moment. As I say, I will be glad, after they have had a chance to study the implications of that statement, to answer further questions on it tomorrow morning.

Mr. Fleming: Any questions now, Mr. Chairman?

The Chairman: Questions tomorrow morning.

Mr. Croll: What I think is unfortunate is the timing of that statement.

Mr. Fleming: Surely, if you are going to have a statement you can allow questions on it.

The Chairman: Is it the wish of the committee that Mr. Fleming may ask questions now?

Mr. Robertson: I think it is unfair to Mr. MacNamara to keep him here while we are discussing that statement.

Mr. Fleming: I thought to raise this question at the beginning and suggested then it was a matter of some importance and might occupy some time, because the committee would have to ask Dr. Davidson questions, and as Dr. Davidson was coming to the committee tomorrow morning we might leave the whole matter to the committee tomorrow morning. The committee decided, however, to hear, Dr. Davidson now. May I finish, Mr. Chairman?

The committee however, decided to hear Dr. Davidson now.

Mr. Robertson: And leave the discussion until tomorrow morning.

Mr. Fleming: May I finish, Mr. Chairman? These interruptions—

The Chairman: Gentlemen, let Mr. Fleming finish.

Mr. Fleming: Surely we can ask questions now.

Mr. Macnaughton: I want to hear Dr. MacNamara.

Mr. Homuth: Regardless of what you want there are still some rights in this committee.

Mr. Knowles: I think you should at least allow Mr. Fleming to ask a question or two.

Mr. Robertson: It was my understanding that we would hear Dr. Davidson's statement and let the discussion continue tomorrow morning. I think the chairman's ruling should be maintained.

Mr. Homuth: Wait a minute now, the chairman does not run this committee.

The CHAIRMAN: I am in the hands of this committee.

Mr. LAING: I move we proceed to hear Mr. MacNamara

Mr. FLEMING: This is an oppressive use of the power by the majority of the committee. Surely, there are some obvious matters that we would want to ask Dr. Davidson questions on, to get information on.

Hon. Mr. FARQUHAR: If you want that opportunity, everybody should have the same privilege.

The CHAIRMAN: All right. If we do that, we will sit this afternoon.

Mr. COTE: The committee has no decision to make at this time. It has already been agreed upon at the outset we would hear a statement from Dr. Davidson and immediately after we would proceed with our witness of this morning. I submit any further discussion at this point is out of order.

Mr. FLEMING: There was not a word said about proceeding immediately with Mr. MacNamara.

The CHAIRMAN: I did say that.

Mr. FLEMING: If you did, I did not understand you.

Mr. BROWN: Cannot Mr Fleming raise questions tomorrow?

The CHAIRMAN: Definitely.

Mr. FLEMING: I think, since the question is opened up now no one should be prevented from going on and asking questions to elicit information.

The CHAIRMAN: It was agreed that we would proceed as follows: That Dr. Davidson would make a statement and we would reserve all further questions on it until tomorrow morning, and the reasons for my suggesting such a course were that we have the Deputy Minister of Labour here as a witness this morning.

Mr. FLEMING: I did not hear you say that.

The CHAIRMAN: I certainly did say it.

Mr. FLEMING: Did you say we will hear Dr. Davidson and reserve all questions until tomorrow?

The CHAIRMAN: I did definitely say that and my reason for it, first was that I felt the matter was of sufficient importance to warrant an immediate statement or comment by Dr. Davidson in view of the statement in the press last night and this morning, and, secondly, as our witness this morning is Mr. MacNamara, who has to deal with two very important matters, I thought that we would reserve the questions for tomorrow in order to give Mr. MacNamara time to complete his testimony today. That was the reason for my decision, and I understand that the members of the committee, with a few exceptions, agree we should proceed with Mr. MacNamara's brief.

Mr. FLEMING: It is under protest, Mr. Chairman.

The CHAIRMAN: That is your right and even your duty if you feel that way.

Mr. KNOWLES: That is as far as it goes.

Mr. FLEMING: I am sorry, I did not hear you say that.

The CHAIRMAN: Yes, I did say that.

Now, gentlemen, Mr. MacNamara is accompanied by Mr. George Barclay, Director of Unemployment Insurance and Mr. C. McCord, Director of the Government Annuities Branch. As you can see, the brief is divided into two or three parts.

I will now call Mr. MacNamara.

Mr. Arthur MacNamara, Deputy Minister of Labour, called:

Brief presented by Arthur MacNamara, Deputy Minister of Labour, to the Joint Committee of the Senate and House of Commons on Old Age Security, June 1, 1950.

INTRODUCTORY REMARKS

Honourable Members of the Senate and House of Commons:

Despite the fact that I am called before you please allow me to make it clear that I do not count myself as an expert in this field of Old Age Security.

My membership on the working committee on Old Age Security under the chairmanship of the Deputy Minister of National Health and Welfare has acquainted me with some of the problems involved in planning a system of old age security.

During the past ten years I have been actively concerned with the administration of the Canadian Government Annuities Act 1908, and the Unemployment Insurance Act 1940, legislation which constitutes an important part of the Canadian pattern of social security.

Since the Unemployment Insurance Act came into operation in July, 1941, a large number of Canadian wage and salary earners, together with their employers have been contributing to a compulsory insurance scheme designed to provide a degree of individual security against the risk of unemployment.

The Canadian Government Annuities Act, passed in 1908, has been giving people an opportunity to provide for their old age; it being "in the public interest", the preamble to the Act states, "that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age". In effect, this Act has operated as a system of voluntary old age security.

I would like to set forth an outline of the operations of these two Acts and to take the opportunity to make a few observations which might possibly be applied to your study.

My statement is in three parts:

First in respect to the Unemployment Insurance Act.

Second in respect to "The Canadian Government Annuities Act" and

Third, some general comments.

THE UNEMPLOYMENT INSURANCE ACT

The Unemployment Insurance Act, provided a contributory system of unemployment insurance whereby employers, employees and the Federal Government contribute to a pooled fund amounts sufficient to provide workers with a reasonable degree of protection against the risk of unemployment. The main features of the Act are as follows:

(*a*) Rates of contribution and benefit are set with a view to maintaining a long run balance between the revenue and expenditure of the Unemployment Insurance Fund, and consideration is also given to what is a reasonable cost to employers, employees and the Government, and what is a reasonable amount and duration of benefit to individual workers.

(*b*) There is a relationship, in a broad sense, between the insured worker's income, the rate of contribution which he pays, and the rate of benefit which he receives in the event of unemployment.

(*c*) Qualification for, and duration of benefit is dependent on the record of contributions which a claimant has established during a limited period (5 years) previous to the filing of his claim. The claimant must have

made 180 daily contributions in the two-year period prior to the claim in order to qualify for benefit. He is then eligible to receive one day's benefit for every five daily contributions made in the five-year period prior to the claim (minus $\frac{1}{3}$ the number of daily benefits drawn in the previous three years).

(*d*) At the outset, the coverage of the Act was extended to as large a segment of the employed population as was then considered feasible, in the light of actuarial calculations of the risk of unemployment in various occupational groups, and bearing in mind a desire to minimize the cost of administration.

Since 1941 the coverage of the Act has been broadened, as administrative experience proved such action to be practicable, to include further occupational groups, such as seamen, stevedores and workers in lumbering and logging.

(*e*) The whole plan operates in close co-operation with the National Employment Service whose function it is to act as a clearing house for workers seeking jobs and employers needing help.

Old Age Security And Unemployment Insurance

1. During the deliberations of the Joint Committee of the Senate and the House of Commons on Old Age Security, references have been made from time to time to Unemployment Insurance, and it has been suggested that it would be possible to integrate the administration of a federal plan of contributory Old Age Pensions with that of the Unemployment Insurance Act along the lines adopted by the Government of the United Kingdom.

2. With regard to the financial aspects of Old Age Security, there are in existence (*a*) contributory plans and (*b*) non-contributory plans, and in each case these are on two broad bases (1) funded and (2) pay-as-you-go. Unemployment Insurance in Canada at present is a contributory plan into which flow three broad streams of revenue from (*a*) the employees, (*b*) the employers, and (*c*) the Government. It is also on what has been described as a cyclical budget plan in that contributions are based on an average yearly rate of unemployment and when unemployment is below that average the fund accumulates and when above the average the fund declines. This is a very necessary feature of any unemployment compensation plan because the incidence of unemployment in any year cannot be accurately determined. Our Canadian Unemployment Insurance plan is also a funded plan, in that the rate and duration of benefit is determined by the rate and number of contributions paid by the individual employee.

3. Because it is a funded plan, it is necessary for the administration to maintain an individual record for each worker-contributor for a period of five years, and the Commission now maintains some six million individual records and an alphabetical index of active contributors.

4. The contributions to the fund are collected mainly through the sale of Unemployment Insurance Stamps, which are affixed to insurance books issued each contributor. The books are renewed annually so that at any time the contribution record for the individual for the current year is in the possession of his employer while he is working and in the worker's possession while he is unemployed. Records for the previous five years are in the custody of the Commission.

5. The Commission also maintains a staff of auditors who are responsible for the collection of contributions. At the present time, each employer is visited on an average of every eighteen months. Unfortunately delinquency, although diminishing, is such that a fairly large staff is required.

6. From the above brief summary, it will be noted that Canadian Unemployment Insurance contains three features which are found in various types of Old Age Pension legislation—

(*a*) Contributions;
(*b*) Cyclical budgeting or reserve fund;
(*c*) Funding.

It would be feasible I submit to combine Unemployment Insurance and Old Age Security by using the same technique and machinery for both. Ultimately universal coverage could be attained for both although I do suggest that this objective could best be developed over a period of years.

It might be of interest to have some statement of the administration cost of these features and the estimated cost of administering an old age pension plan either with or without any or all of them.

In the following the cost of collecting Old Age Security contributions are shown on two bases:

(i) if collections were taken for Old Age Security from those under coverage of the Unemployment Insurance Act, and
(ii) if universal coverage were brought about.

7. With regard to cyclical budgeting or the creation of a reserve, this would in itself have little or no effect on costs, whether the plan was contributory or non-contributory and whether or not the plan was funded to the extent that the pension granted was related to the contribution rate or duration.

8. The following estimates are appended—

1. Cost of collecting Unemployment Insurance Contributions
   (*a*) On present coverage;
   (*b*) From all wage earners.
2. Cost of collecting Unemployment Insurance and Old Age Contributions
   (*a*) On present coverage;
   (*b*) From all wage earners;
   (*c*) Universal coverage.
3. Cost of maintenance of Individual Records
   (*a*) On present U.I. coverage;
   (*b*) For all wage earners;
   (*c*) Universal coverage.

9. Cost of Collecting U.I. Contributions—

Present Coverage

Number of Employers		217,000	
Insured Wage Earners			
Regularly employed	2,473,000		
Employed part time in insurable industry	344,000		
		2,817,000	
Revenue from employers and employees			$100,000,000
(1) Audit of Employers—			
Salaries	$ 1,430,000		
Travel	163,000		
Rent	63,000		
Supplies, etc.	60,000		1,716,000
(2) Local, Regional and Head Office Cost 5% of Total Administration			1,000,000
			$ 2,716,000
(3) Cost as a percentage of revenue			2·7%
NOTE: Income tax cost—			
1944 Revenue $1,635,494,706 Cost			4·9%
1949 Revenue $1,368,341,099 Cost			2·05%
Above includes corporation as well as personal collections. Corporation taxes cost less than personal to collect.			

10. Cost of collecting U.I. Contributions—

From All Wage Earners

Employers per statement No. 9	217,000
Estimated employers in presently non-insured industry	125,000
Total Employers	342,000
Insured Employees	2,817,000
Added April 1. Lumbering and logging	75,000
" July 1. Earning $3,120-$4,800	75,000
Non Insured	706,000
Total Wage Earners in Labour Force	3,673,000
Present collection costs per Statement No. 9	$ 2,716,000
Estimated additional cost—approximately—	1,000,000
	$3,716,000
The number of Employers shown in the labour force (i.e., persons) is	252,000
To this must be added for cost purposes	
Branch establishments	31,000
Corporations, limited companies, estates, etc	59,000
Total	342,000

11. Cost of collecting unemployment insurance and old age contributions—

On Present Coverage

The cost of collection is more nearly related to the number of persons from whom collections are made (i.e. Employers) than to the number of persons *on whose behalf* collections are made or the *amount* of the contributions. Higher rates of contribution would probably mean more delinquency and heavier cost of collection.

Present cost of collection (Statement No. 9)	$ 2,716,000
Add 10%	272,000
	$ 2,988,000

12. Cost of collecting U.I. and O.A.P. contributions from all wage earners—

Estimated Cost per Statement No. 10	$ 3,716,000
Add 10%	372,000
	$ 4,088,000

13. Cost of collecting contributions—

Universal Coverage

Total Employers (Statement No. 10)	342,000
Own account workers	932,000
	1,274,000
Estimated cost for all wage earners (Statement No. 10)	$ 3,716,000
Estimated revenue for own account workers $40,000,000	
Cost of collection estimated 5%	2,000,000
Total cost of collection	$ 5,716,000

14. Cost of maintenance of individual records for unemployment insurance.

For Present U. I. C. Coverage

Salaries		
Head Office	$ 15,000	
Regional Records	507,000	
Index	80,000	
Travel	5,000	
		$ 607,000
Office Space	70,000	70,000
Supplies		
Insurance Books	75,000	
Forms	75,000	
Insurance stamps	49,000	
		199,000
Cost of Book renewal		106,000
Commission on sale of stamps		523,000
Local, Regional and Head Office Cost—5% of administration		1,000,000
		$2,505,000

15. For the purpose of the estimates in Paragraphs 16 and 17 which follow, an Old Age Pension Plan along the following lines has been envisaged:

Eligibility: To qualify for old age pension a person must have contributed an average of 40 weekly contributions for each year since the plan commenced or a maximum of 400 weekly contributions whichever is less.

Rate of Pension: A flat rate irrespective of rate of contribution. This means that the record of the individual would record only the number and not the amount of the contribution paid.

16. Cost of maintenance of individual records.

For All Wage Earners

Unemployment Insurance and Old Age Pensions

Number of Employees in Insurable Employment	2,817,000
Presently Non-Insured	856,000
Present Cost	$2,505,000
Add 30% for increase coverage	750.000
Add 5% for maintaining records longer than 5 years	125,000
	$3,380,000

17. Cost of maintenance of individual records.

Universal Coverage

Present Insured Population	2,817,000
Present Labour Force	5,253,000
Present Cost	$2 505,000
Add 100%	2,505,000
Total Cost	$5.010.000

18. If an old age pension plan along the lines mentioned in Paragraph 15 were enacted and administered with Unemployment Insurance, the additional cost of adding this information to existing records would not be great. There would of course be records for more people and the records would be kept for a longer period.

If however old age pensions were administered separately and separate contributions collected and separate records maintained, the costs shown would be in addition to the costs now or in future incurred in administering Unemployment Insurance.

19. The above estimates deal with the cost of collecting contributions and the maintenance of individual records. They do not cover the cost of verifying and adjudicating claims or of paying benefits which would be additional items the cost of which could not be estimated without knowledge of the details of the plan adopted.

CANADIAN GOVERNMENT ANNUITIES ACT

An Act to authorize the issue of Government Annuities for Old Age was assented to on July 20, 1908, and cited as the Government Annuities Act, 1908.

The preamble to the Act reads as follows: "Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows".

Much of the background of this statute may be found in a Parliamentary Paper entitled "Old Age Annuities" dated at Ottawa in 1907. This publication contains speeches delivered in the Senate during the Third Session of the Tenth Parliament by The Right Honourable Sir Richard Cartwright, The Honourable James McMullen, The Honourable George W. Ross, The Honourable Donald Ferguson, and The Honourable Michael Sullivan.

The Government Annuities Act, copy of which is annexed to this brief, has remained substantially unchanged since its enactment in 1908. Under the provisions of the Act two general types of contract have been issued. These are:

(i) Deferred Annuities
(ii) Immediate Annuities

There are three plans of Deferred Annuity contract available:

(*a*) *Deferred Life Plan*—Upon maturity of the contract, the annuity commences and it is payable in regular monthly instalments for the life of the annuitant, the benefits ceasing with death. Should the annuitant die before the annuity begins the premium payments made plus 4 per cent compound interest are returnable to the annuitant's estate.

(*b*) *Deferred Guaranteed Plan*—Upon maturity of the contract the annuity becomes payable in monthly instalments, continuing for the life of the annuitant and for 5, 10, 15 or 20 years in any event, according to the guaranteed period selected by the purchaser. If the annuitant dies before the annuity commences, the moneys paid with interest are returnable to his estate. Or, if the annuitant dies during the guaranteed period, the instalments of annuity remaining unpaid are continued to his estate for the balance of the guaranteed period.

Table No. 1 sets forth monthly rates for Annuities for $480 per annum at ages 65 and 70, Male and Female, on Ordinary Life and Guaranteed Plans.

3% Rates

TABLE NO. 1

Monthly Premium for Annuity of $40 per Month with return of premiums with interest if annuitant dies before commencement of annuity

MALES

Age at Issue	Maturing at age 65					Maturing at age 70				Age at Issue
	Ordinary Life	Guar. 5	Guar. 10	Guar. 15	Guar. 20	Ordinary Life	Guar. 5	Guar. 10	Guar. 15	
	$	$	$	$	$	$	$	$	$	
20	4.94	5.04	5.42	6.00	6.77	3.41	3.54	3.94	4.61	20
30	7.58	7.78	8.30	9.17	10.37	5.09	5.28	5.90	6.86	30
40	12.58	12.86	13.78	15.26	17.18	8.06	8.40	9.36	10.90	40
50	24.62	25.20	27.02	29.86	33.65	14.26	14.83	16.61	19.30	50
60	86.26	88.37	94.66	104.69	117.94	33.41	34.80	38.88	45.22	60

FEMALES

Age at Issue	Ordinary Life	Guar. 5	Guar. 10	Guar. 15	Guar. 20	Ordinary Life	Guar. 5	Guar. 10	Guar. 15	Age at Issue
20	5.76	5.81	6.05	6.43	7.01	3.98	4.08	4.37	4.85	20
30	8.83	8.93	9.26	9.89	10.75	6.00	6.10	6.53	7.25	30
40	14.64	14.83	15.41	16.37	17.81	9.46	9.70	10.37	11.47	40
50	28.66	29.04	30.19	32.11	34.90	16.85	17.14	18.34	20.30	50
60	100.51	101.76	105.70	112.46	122.16	39.36	40.22	42.96	47.57	60

Without Return of Premiums if Annuitant dies before Commencement of Annuity

	Males—Ordinary Life		Females—Ordinary Life		
	Maturing at age 65	At age 70	Maturing at age 65	At age 70	
	$	$	$	$	
20	3.74	2.25	4.64	2.99	20
30	5.95	3.52	7.37	4.65	30
40	10.35	5.89	12.73	7.71	40
50	21.50	11.18	26.21	14.42	50
60	81.66	28.87	97.15	36.07	60

(*c*) *Deferred Last Survivor Plan*—Under this plan two persons, generally husband and wife, take out an annuity together. Upon maturity, the annuity is paid as long as both live and the full amount to the survivor for life. If one annuitant dies before maturity, the full amount paid in premiums remains at the credit of the survivor. If both annuitants die before commencement of the annuity, the premiums with interest accumulations are returnable.

There are three plans of immediate annuity contract available:

(*a*) *Immediate Life Plan*—The annuity under this plan commences one month from date of purchase and continues as long as the annuitant lives.

(*b*) *Immediate Guaranteed Plan*—Under this plan the annuity is payable in monthly instalments during the life of the annuitant and payments are guaranteed for 5, 10, 15 or 20 years in any event, according to the guaranteed period selected by the purchaser. If the annuitant lives longer than the guaranteed period, the benefits are continued as long as he lives.

(*c*) *Immediate Last Survivor Plan*—Under this plan two persons, usually husband and wife, purchase an annuity jointly. The annuity is payable in monthly instalments as long as both annuitants live and the benefits are continued in full amount until the death of the last survivor.

Deferred annuities may be purchased by periodical premium payments or by single premium payments. The periodical premiums are usually deposited monthly, quarterly, or half-yearly or annually. The purchase of immediate annuities is by lump sum cash payments. Premiums may be deposited at any postal money order office throughout the country or remitted to the Annuities Branch direct by cheque, money order, etc., in favour of the Receiver General of Canada. The maximum amount of annuity purchasable on the life of one person or on the lives of two persons jointly is $1,200.00 a year.

Under Section 6 of the Act provision is made whereby Group Contracts may be entered into with employers to give effect to approved employee retirement pension plans.

Until about ten years ago very little use was made of Canadian Government Annuities for the purpose of underwriting Retirement Annuity Plans. Since that time the development has been as follows:

March 31	Group Contracts in force	Employees included
1940	4	1.240
1941	30	7.776
1942	49	11,180
1943	70	15.351
1944	154	28,919
1945	270	38,872
1946	433	56,227
1947	612	86,638
1948	708	113,401
1949	809	143,270
1950	846	158,959

Of the 158,959 employees included up to March 31, 1950, 36,973 were no longer participating for reason of retirement, death or termination of service, leaving a net total of 121,986 active participants.

In addition to Group Annuity Contracts, approximately 300 pension plans covering about 8,000 employees were underwritten by individual contracts.

Premiums paid under contracts entered into in connection with Retirement Annuity Plans amounted to $32.537,083.54 in the fiscal year 1948-49, and $36,506,202.65 in the fiscal year 1949-50.

Retirement Annuity Plans are underwritten by entering into a Group Annuity Contract where a large number of employees is involved, and individual contracts for the smaller organizations. The premium rates are the same in each method of underwriting and are similar to the rates applicable to persons

purchasing annuities as individuals. The normal type of plan is contributory, the employee paying a fixed percentage of earnings and the employer paying a similar amount or such amount as may be necessary to complete the purchase of a fixed annuity. The employer generally makes additional payments in respect of prior services. When an employee's service is terminated prior to retirement, he cannot withdraw his money but is credited with a paid-up annuity purchased by his own contributions and such part of the employer contributions as the contract may prescribe. In the event of his death before retirement, the total of his own contributions with interest and such part of the company contributions as the contract may prescribe will be paid to his heirs. On retirement, the annuity purchased by all contributions made on his behalf will be paid to him for life and generally carrying a guarantee that payments will be made for a minimum of five years.

Contract and Application Forms

It is provided in Section (*c*) paragraph 13 of the Act that the Governor in Council may make regulations not inconsistent with the Act—"as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor";
Therefore, all forms of application and contract writings for annuities entered upon individual and group basis are approved by the Governor in Council.

Sale of Canadian Government Annuities

Special representatives for the sale of annuities are employed on a commission basis. These representatives are located in the principal centres of population. Annuities field men cover not only the municipality in which they are located, but the surrounding districts, maintaining co-operation with the Postmasters. The sale of annuities in the smaller centres of population not covered by annuities representatives is dealt with by correspondence direct with Head Office in Ottawa.

Interest Rates and Mortality Tables

The interest rate and the mortality table for calculating annuity premiums are set by Order in Council as provided in the Act.

The original rates were at 4% interest with mortality according to the "British Offices Life Annuity Tables, 1893". In 1936 an interim increase of 15% in annuity premium rates was made, pending a mortality study to be made by Professor M. A. Mackenzie of the University of Toronto. In 1938 a new mortality table was adopted, namely that contained in the volume "The Mortality of Annuitants 1900-1920". This table is known for short as the *a* (m) & *a* (f) table, and it is a projection of the mortality improvement to produce the level of mortality to be expected in 1940. Ages were taken as one year younger than actual age, as Professor Mackenzie's report revealed that the mortality under Government Annuities had been at that level. Increasing longevity, however, forced a further revision of the mortality basis in 1948, when ages were taken as three years younger than actual from the same table. Also in 1948, the interest rate was reduced to 3%, approximately the rate for Government Bonds.

Administration

The costs of administration under the Government Annuities Act are not made a charge against annuity contract holders, but are paid out of an Annuities administration appropriation voted by Parliament for the purpose. Moneys

received in consideration for annuities are deposited in the Consolidated Revenue Fund and payment of benefits under annuity contracts are paid out of the same Fund. The increase in administration cost in recent years is accounted for by the general increase in volume of business written and under administration.

Table No. 2 gives administration costs, amounts transferred to maintain reserve, and number of annuities in force in each of the past twenty years.

During recent years a marked growth occurred in the number of Group Annuity Contracts under administration from 4 contracts covering 1240 employees in 1940 to 846 contracts covering 158,959 employees as of March 31, 1950.

The increase in the number of Retirement Annuity Plans established is largely due to the generally increased interest in Pension Plans throughout Canada.

Prior to the rate change in April of 1948 the sale of individual annuities was steadily increasing as more and more people in classes not covered by any pension scheme and who were desirous of making provisions for their own old age became aware of the Government Annuities System.

TABLE NO. 2

RE Government Annuities Act

Fiscal Year	Amount transferred to maintain Reserve	Administration Costs	Annuities in force, deferred and vested	Administration cost per annuity
	$	$		$
1930-31	108,644.72	105,000.00	11.781	8.91
1931-32	261,939.35	75,000.00	13,273	5.65
1932-33	289,435.39	57.000.00	14.400	3.96
1933-34	184.237.98	84,177.23	16.565	5.08
1934-35	146,057.46	135,000.00	20,226	6.67
1935-36	271,826.73	187,912.52	26,249	7.16
1936-37	540,831.72	212,036.79	33,685	6.29
1937-38	8,941,195.84	185,955.41	39,015	4.77
1938-39	nil	261,254.56	46,970	5.56
1939-40	379,006.95	276,669.17	54,060	5.12
1940-41	111,425.22	249,540.76	65,780	3.79
1941-42	616,981.58	255,441.52	73,347	3.48
1942-43	497.790.26	264,228.67	81,627	3.24
1943-44	32,180.49	303,917.28	99.430	3.06
1944-45	257,288.00	353,556.72	112,184	3.15
1945-46	293,797.96	400.916.51	133,387	3.01
1946-47	977,069.58	663,412.83	173.254	3.83
1947-48	331,856.85	665,622.45	210,935	3.16
1948-49	11,408,468.42	725,296.90	242,292	2.99
1949-50	1,255.771.76	699,423.84	258,679	2.70

Note: The history of the annuity business is one of increasing longevity. This is reflected in the above figures for transfer to maintain reserve. At each year end, more people are alive than the rate basis provided for; and therefore the reserve held is greater than expected. In 1938 and again in 1948 the rates for new annuities were increased to provide for greater longevity of annuitants; and in those years the reserve for vested annuities (annuities being paid out) was brought up to the level of new contracts. Hence the substantial transfers in those two years.

Deferred annuities sold at old rates are valued at current levels when they mature. Thus the mortality loss is absorbed at maturity date instead of spreading it over the life of the contract. The end result is the same. We feel that the 1948 rates are adequate for annuities to be sold during the next three or four years.

Annexed hereto are the following tables:

Table No. 3—Shows the net amount received in premiums from 1908 to March 31st, 1950, and the total amount of benefits paid out in annuities during that period. This table also shows the net premiums received and benefits paid during each of the past ten fiscal years.

Table No. 4—Shows the number of annuity contracts in force by category (i.e.) vested, deferred individual and deferred group.

Table No. 5—Shows the number of contracts and certificates issued deferred, immediate and group during each of the past ten fiscal years.

If a universal old age pension plan which would provide $40 per month at age 70 for everyone were put into effect, it would be quite feasible to issue government annuities which would commence at age 65 but would reduce at

TABLE No. 3

NET PREMIUM RECEIPTS AND TOTAL ANNUITY BENEFITS PAID DURING PERIOD 1908 TO MARCH 31, 1950, AND DURING EACH OF THE PAST TEN FISCAL YEARS

—	Net Premium Receipts	Annuity Benefits Paid
	$	$
1908 to March 31, 1950	593,302,705	199,594,115
1940–41	18,803,645	9,016,976
1941–42	19,630,645	9,763,595
1942–43	20,415,365	10,552,688
1943–44	26,600,098	11,171,629
1944–45	33,076,436	12,183,875
1945–46	46,954,536	13,486,347
1946–47	72,009,764	15,651,343
1947–48	75,067,827	18,294,136
1948–49	64,311,116	21,304,755
1949–50	63,133,242	23,448,706

TABLE No. 4

NUMBER OF CONTRACTS IN FORCE BY CATEGORY AS OF MARCH 31, 1950

Vested	51,759
Deferred—Individual	84,934
Deferred—Group	121,986
Total	258,679

TABLE No. 5

NUMBER OF CONTRACTS AND CERTIFICATES ISSUED, DEFERRED, IMMEDIATE AND GROUP, DURING EACH OF PAST TEN FISCAL YEARS

Fiscal Year	Individual Contracts Issued		Group Certificates Issued	Total
	Deferred	Immediate	(All deferred)	
1940–41	3,777	1,681	6,536	11,994
1941–42	3,411	1,778	3,404	8,593
1942–43	4,094	1,343	4,171	9,608
1943–44	4,415	1,371	13,568	19,354
1944–45	4,853	1,630	9,313	15,796
1945–46	6,098	2,085	17,355	25,538
1946–47	9,530	3,644	30,411	43,585
1947–48	10,794	3,443	26,708	40,945
1948–49	4,821	1,642	29,869	36,332
1949–50	3,958	1,431	15,689	21,078

age 70 by the amount of the universal old age pension. The formula would be complex if the annuity were guaranteed and especially if the guarantee ran beyond age 70. For annuities without guarantee, however, reduction in cost on an annuity of $100 per month, starting at age 65, reducing to $60 at age 70, would be 10 per cent for males and 12 per cent for females from the cost of a level annuity of $100 per month.

In summary, the Canadian Government Annuities scheme provides a simple and convenient voluntary savings plan for persons resident or domiciled in Canada to provide an assured income for old age.

Government Annuities may be purchased under individual annuity contracts either on the instalment plan or by lump sum purchase.

Industrial employee and other group retirement pension plans may also be implemented by the purchase of annuities under contracts entered into by the employer or organization, pension payments being derived from employer contributions or joint employee and employer contributions.

GOVERNMENT ANNUITIES ACT

Chapter 7 of the Revised Statutes of Canada, 1927, as amended by Chapter 33 of the Statutes of 1931

(Office Consolidation of the Act)

An Act to authorize the issue of Government Annuities for Old Age.

Preamble.

Whereas it is in the public interest that habits of thrift be promoted and that the people of Canada be encouraged and aided thereto so that provision may be made for old age; and whereas it is expedient that further facilities be afforded for the attainment of the said objects: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

SHORT TITLE

Short title

1. This Act may be cited as The Government Annuities Act. 1908, c. 5, s. 1.

INTERPRETATION

Definitions.

2. In this Act, unless the context otherwise requires,

"Annuitant."

(*a*) "annuitant" means a person in receipt of, or entitled to the receipt of an annuity;

"Annuity."

(*b*) "annuity" means an annuity issued under the provisions of this Act;

"Minister."

(*c*) "Minister" means the Minister appointed by the Governor in Council to administer this Act;

"Purchaser."

(*d*) "purchaser" means any person who has contracted for the purchase of an annuity.

Administration.

3. Until otherwise determined by the Governor in Council under the provisions of paragraph (*c*) of section two, this Act shall be administered by the Minister of Labour.

Sale of annuities authorized.

4. His Majesty, represented and acting by the Minister, may, subject to the provisions of this Act and of any Order in Council made under the authority of this Act, contract with any person for the sale

(*a*) of an immediate or deferred annuity to any person resident or domiciled in Canada,

(i) for the life of the annuitant;

(ii) for a term of years certain, not exceeding twenty years, provided the annuitant shall so long live;

(iii) for a term of years certain, not exceeding twenty years, or for the life of the annuitant, whichever period shall be the longer;

(*b*) of an immediate or deferred annuity to any two persons resident or domiciled in Canada during their joint lives, and with or without continuation to the survivor.

Payments by purchaser.

5. The purchaser may, by the payment at any time of a sum of not less than ten dollars, or by the payment of a stipulated sum periodically at fixed and definite intervals, to any agent of the Minister appointed under the provisions of this Act, purchase an annuity under the provisions hereof: Provided, however, that the amount payable by way of the annuity so purchased shall be subject to the terms of section eight.

Payment by depositor in P.O. Savings Bank.

6. Any purchaser who has money sufficient for the purpose deposited in any Post Office Savings Bank, may, upon making demand in such form as is prescribed in that behalf by the Postmaster General, authorize the Postmaster General to transfer to the Minister any sum which such purchaser desires to apply to the purchase of an annuity under this Act.

Purchase of annuities by corporation for its members.

2. Any society or association of persons, being a body corporate for fraternal, benevolent, religious or other lawful purposes, may contract with His Majesty, on behalf of such of its members as are domiciled in Canada, for the sale to such members of annuities otherwise purchasable by them as individuals under this Act; and any sums of money necessary to the carrying out of this object may be paid by such society or association direct to the Minister, or may be deposited in any Post Office Savings Bank, to be transferred by the Postmaster General to the Minister.

Purchase of annuities by employers for their employees.

3. Employers of labour may, pursuant to agreement entered into with their employees in that behalf, such agreement to be of a form approved by the Minister, contract with His Majesty for the sale to such of their employees as are domiciled in Canada of annuities otherwise purchasable by such employees as individuals under this Act; and any sums of money necessary, to the carrying out of this object, whether such sums are derived from the wages of the employees solely, or partly from the wages of the employees and partly from contributions of the employers, or from contributions of the employers solely, may be paid by such employers direct to the Minister, or may be deposited in any Post Office Savings Bank to be transferred by the Postmaster General

to the Minister; but unless otherwise expressly stipulated, any sums so paid shall be held for the exclusive account of the persons in whose names they were deposited respectively.

Annuity tables.

7. All contracts for the purchase of annuities shall be entered into in accordance with the values stated in tables prepared under regulations made pursuant to section thirteen, and for the time being in use.

Limitations as to persons and amount.

8. An annuity shall not be granted or issued on the life of any person other than the actual annuitant, nor for an amount less than ten dollars a year; and the total amount payable by way of an annuity or annuities to any annuitant or to joint annuitants shall not exceed twelve hundred dollars a year.

(By chapter 33 of the Statutes of 1931 the previous maximum of five thousand dollars was changed to the present figure, but with the provision that this should not affect any existing contract for an annuity.)

Maximum Age.

2. Any contract providing for an annuity to commence to be payable at any greater age than eighty-five years shall, as to purchase price, be subject to the same terms as if the age were exactly eighty-five years.

Conditions of Conversion of Annuity of Husband for Wife.

3. When a married man who has purchased an annuity payable to himself applies to have a portion thereof converted into an annuity payable to his wife, or when a married woman who has purchased an annuity payable to herself applies to have a portion thereof converted into an annuity payable to her husband, the Minister may make such conversion, if

(*a*) the application is made within the three months preceding the time when the annuity becomes payable; and

(*b*) the annuity so made payable to the wife does not exceed one-half of the husband's annuity, or the annuity so made payable to the husband does not exceed one-half of the wife's annuity; and

(*c*) the provisions of this Act and any regulations made under this Act are complied with.

Refusal for Cause.

9. The Minister may refuse to contract for an annuity in any case where he is of opinion that there are sufficient grounds for refusing so to do.

Rights to Annuity not Transferable.

10. Except as otherwise provided in this Act, no property right, title, benefit or interest in, under, or arising out of a contract for an annuity shall be transferable, either at law or in equity.

Trust Not to be Recognized.

2. The Minister shall not receive nor be affected by notice, however given, of any trust affecting an annuity or affecting moneys paid or payable in respect of an annuity.

Interest Not Attachable.

11. An annuity and all moneys paid or payable and all rights under an annuity contract shall be exempt from the operation of any law relating to bankruptcy or insolvency, and shall not be seized or levied upon by or under the process of any court.

Rights of Creditors Saved.

2. If the application for an annuity contract is made and the consideration therefor is paid with intent to delay, hinder or defraud creditors, the creditors shall, upon establishing such intent before a court of competent jurisdiction, be entitled to receive, and the Minister is hereby authorized to pay to them or to any person authorized by the court to receive it on their behalf, any sum paid in by the purchaser, with interest thereon at the rate of three per cent per annum compounded yearly, or so much thereof as is certified by the court to be required to satisfy the claims of such creditors, and costs; and thereupon the annuity contract shall be cancelled, or the annuity to become payable thereunder shall be proportionately reduced, according as the whole or a part only of the sum payable as aforesaid is so paid by the Minister; or, if an annuity is then payable under the contract, such payment may be made out of and up to an amount equal to the present value of the annuity so payable, and the contract shall thereupon be cancelled, or the annuity payable thereunder proportionately reduced, according as the whole or a part only of such present value is so paid.

Limitation of Action.

3. No action shall be brought for the cancellation of an annuity granted under this Act after the lapse of two years from the time at which the payment complained of has been made.

Provisions for Return of Moneys Paid if Annuitant Dies Before Annuity Becomes Payable.

12. When the annuitant or last survivor of joint annuitants dies before the annuity becomes payable, and any moneys have been paid or deposited as consideration for the annuity, such moneys shall be repaid to the purchaser or to his legal representatives, with interest thereon at the rate of four per cent per annum, compounded yearly; but if there is an express agreement between the Minister and the purchaser as to dealing with such moneys, then they shall be paid as provided in such agreement.

When Term Unexpired.

2. When, under the annuity contract, the annuity is payable for a term of years certain or for the life of the annuitant, whichever period shall be the longer, and the annuitant dies before the expiration of the said term of years certain, the annuity shall, during the unexpired portion of the said term, be paid to the purchaser or to his legel representatives; but if there is an express agreement to the contrary between the Minister and the purchaser, the annuity shall be paid as provided in such agreement.

Regulations by Governor in Council.

13. The Governor in Council may make regulations not inconsistent with this Act,

(*a*) as to the rate of interest to be allowed in the computation of values in the tables hereinafter referred to; and as to the rate of interest to be employed in valuing the annuities as provided for in subsection two of section fifteen;

(*b*) as to the preparation and use of tables for determining the value of annuities; and the revocation of all or any such tables and the preparation and use of other tables;

(*c*) as to the mode of making, and the forms of, contracts for annuities, including all requirements as to applications therefor;

(*d*) as to the selection of agents of the Minister to assist in executing the provisions of this Act, and the remuneration, if any, to such agents therefor;

(*e*) as to the modes of proving the age and identity and the existence or death of persons;
(*f*) as to the modes of paying sums of money payable under this Act;
(*g*) as to dealing with an application of unclaimed annuities;
(*h*) for the doing of anything incidental to the foregoing matters, or necessary for the effectual execution and working of this Act and the attainment of the intention and objects thereof.

Consolidated Revenue Fund.

14. The moneys received under the provisions of this Act shall form part of the Consolidated Revenue Fund; and the moneys payable under the said provisions shall be payable out of the said Consolidated Revenue Fund.

Accounts to be Kept.

15. An account shall be kept, to be called the Government Annuities Account, of all moneys received and paid out under the provisions of this Act, and of the assets and liabilities appertaining to the grant of annuities under the said provisions; and among the liabilities included in the said account at the end of each fiscal year shall appear the present value of the prospective annuities contracted for up to the end of such fiscal year.

Calculation of Present Value of Annuities.

2. The present value referred to in the preceding subsection shall, as to interest, be calculated upon such rate as is fixed by the Governor in Council, and, as to mortality, upon such rates as are used in preparing the tables approved of by the Governor in Council and for the time being in use, as provided for in paragraph (*b*) of section thirteen.

Return to Parliament.

16. There shall be laid before both Houses of Parliament, within the first thirty days of each session thereof, a return containing a full and clear statement and accounts of all business done in pursuance of this Act during the fiscal year next previous to such session, and copies of all regulations made during that fiscal year under the provisions of section thirteen of this Act.

GENERAL PERSONAL COMMENTS

Regarding the Canadian Government Annuities Act.

The cost of providing for a $40 pension at 70 has been very reasonable.

For Life with money paid in return to estate if deceased before 70	At Age	For Life with no return of money in case of death before 70
$ 3.41 per month	20	$ 2.25 per month
5.09 " "	30	3.52 " "
8.06 " "	40	5.89 " "
14.26 " "	50	11.18 " "

The total number who currently are covered are:—

Since inception of Act 292,978 contracts sold
Since inception of Act 34,299 finished

Net	258,679	In force,
of which	51,759	are in pay,
of which	84,934	are individual contracts not yet in pay
of which	121,986	"do" groups

Government Annuities provide a very good means for people to provide for their own old age.

Regarding the Unemployment Insurance Act

It is fair, I think, to say that the Unemployment Insurance Act has been a success and a benefit to Canada. The framers of the Act followed pretty well the British practice.

Britain has had a Widows, Orphans, and Old Age Contributory Pension Act since 1925. This has given the British administrators a great deal of experience. In following British practice in regard to Unemployment Insurance, Parliament made no mistake and the committee might consider following the same path as was followed in the case of Unemployment Insurance; that is, adopt the British plan with such improvements as may be devised.

To be specific such a plan would collect contributions for Old Age Security and create a fund for the payment of benefits on a pay-as-you-go basis with some reserve for bad years.

A good start might be made towards a contributory system by bringing into effect a contributory plan for Old Age Security and amalgamate with Unemployment Insurance. The collections would not be from every adult, but as Unemployment Insurance expands so, too, would the contributory system for Old Age Security.

If the plan recommended by the committee provided a universal benefit after a given age—(say 70)—this would mean collecting from one section of the community and paying benefits to all. This is true, and it will be said that obviously if people can receive the same pension without making a contribution, then there is the incentive to avoid contributions.

The British plan requires everyone (with certain exceptions) to contribute; however it has taken years to bring this about. It cannot be done in Canada overnight particularly in view of our geographical difficulties.

A combination plan might be the answer.

(*a*) A contributory system for the insured population and

(*b*) An extension of the Annuities Act for the self-employed.

In respect to those insured under the Unemployment Insurance Act, contributions might be, as in the case of the Unemployment Insurance Act, from employers, employees, and the federal treasury. In the case of the sale of Annuities, an approximate equitable corresponding situation might be brought about by cheapening the cost of limited Annuities to the purchaser.

There would be an advantage in combining Unemployment Insurance and Old Age Security because the necessity of creating a second administrative machine would be avoided.

The fact that less than 300,000 persons have taken advantage of the opportunity offered by the Canadian Government Annuities Act seems to apply that some degree of compulsion or at least additional encouragement was required.

One other comment I might venture is that it seems to me there should be encouragement given to bring about the feeling that people able to work should work. I notice in the last issue of the *Reader's Digest,* Dr. Roger I. Lee, former President of the American Medical Association, warns us that "death comes at retirement". The eminent physiologist, Dr. Anton J. Carlson, says, "We are contributing to biologic parasitism as well as wasting valuable resources by keeping in idleness older workers able to perform useful service. Work is a biologic and social duty as long as we can carry on".

(*End of written statement.*)

The CHAIRMAN: Now, Mr. MacNamara, would you like to make an opening statement?

The WITNESS: Mr. Chairman and gentlemen, I think the brief is self-explanatory. It is largely a review of the operation of the Unemployment Insurance Act and the Canadian Government Annuities Act. I think possibly members are sufficiently familiar with it to ask questions without any preliminary statement from me.

Mr. FLEMING: May I make the suggestion that Mr. MacNamara review the highlights of this brief because very few of the members would have had an opportunity of reading it.

The CHAIRMAN: Well, Mr. Fleming, it was distributed last night. It was in my box at 7 o'clock last night.

Mr. FLEMING: It wasn't in mine and I was at my box shortly after six.

The CHAIRMAN: The clerk, Mr. Arsenault, says it was handed to the post office at 6 o'clock. I know it was in my box at seven.

Mr. BROWN: I didn't get mine last night. You know last night was a holiday.

The CHAIRMAN: That's right, the House didn't sit last night. Then, Mr. MacNamara, would you review the highlights for us.

Mr. KNOWLES: Before Mr. MacNamara commences, may I ask if he would indicate on whose behalf he is presenting the brief and on whose behalf he is speaking?

The CHAIRMAN: I can answer that for him. I asked Mr. MacNamara to appear before the committee to answer as to the possibility of having a contributory system in connection with the unemployment insurance system; and, second, to give us some information on government annuities. Those are the two points covered by his brief. Isn't that right, Mr. MacNamara?

The WITNESS: Yes.

Mr. KNOWLES: And he speaks as an individual giving us information?

The CHAIRMAN: Exactly.

Mr. HOMUTH: I understand that he appears on behalf of the Department of Labour.

The CHAIRMAN: He appears here just as the other departmental officials have.

The WITNESS: I would say in answer to Mr. Knowles that the first two parts are on behalf of the department and the last part is my own general comments.

The Canadian Government Annuities Act was passed first in 1908 and the purpose of the Act was to provide a means for people to provide for their own old age security, and the Unemployment Insurance Act was passed in 1940; and the purposes of that Act were as set out here, to give a measure of assistance to those who found themselves out of work. Now, the rates of contribution and the benefits are set with a view to maintaining a long run balance between—I am speaking now of the Unemployment Insurance Act—between revenue and expenditure in the unemployment insurance fund. There is a relationship too, in the broad sense, between the insured worker's income, the rate of contribution and the rate of benefit. In other words, the benefits are affected because the rates of contribution are different, depending on the earnings. Now, the qualifications are important. The duration of the benefit is dependent on the contributions which a claimant has put in during a limited period (five years) previous to the filing of his claim. The claimant must have made 180 daily contributions in the period prior to claim in order to qualify at all; then he is eligible to receive one day's benefit for every five days of contribution made in that five-year period. Conceivably he could work five years and be on unem-

ployment insurance benefits for one year. Now, the original coverage was based on what could be put into effect reasonably quickly and without too much difficulty; and since 1941, the date the Act came into actual operation, the coverage of the Act has been broadened. That has been done as administrative experience proved that such action was practicable. I would think that the policy of the government and of the department is to extend the coverage under this Act as rapidly and as readily and as quickly as we can. I would think that the opportunities for doing so will be greater in the ensuing years than they were in the past because it is the consensus of opinion that people value the unemployment insurance plan more today than ever before in the history of the Act.

Mr. HOMUTH: May I interrupt you there a moment? From what source is the increase in the contributions being made; doesn't it come out of general revenue?

The WITNESS: The money flows into the fund from three sources. There is first a contribution from the employee, and a contribution from the employer and the third contribution comes from the general taxpayer. The rates of contribution have been increased as the rates of benefits have been increased.

Mr. HOMUTH: What would be the increase made out of general revenue?

The WITNESS: Any increase which has been made in the benefits has had corresponding increases in the contributions. If you are speaking of supplementary allowances—

Mr. HOMUTH: That is right.

The WITNESS: —it is true that these allowances, granted to certain classes, come out of general revenue because these people had no opportunity to contribute; and, secondly, there was no money in the fund to pay benefits to them.

Now, we have attempted in the second part of this brief, on page 2, to give to the committee some information in regard to the Act itself, in regard to the method of collecting contributions, and in regard to the cost of administration. Assuming that the Committee may wish to consider a plan whereby old age security would be combined with unemployment insurance (and I myself can envisage such an amalgamation), we have attempted to give some information as to the cost of joint collection. I might say that we only had three days in which to prepare this material since notice was given to us by the chairman; and I am not saying that with the idea of apologizing for the brief, but there are some details that we ourselves would like to have an opportunity of studying further.

In paragraphs 1 and 2 we simply explain why we bring this to the attention of the committee. We say in paragraph 2, with respect to old age security, that its financial aspect raises two alternatives; a contributory plan or a non-contributory plan. In each case there appears to be two bases, (i) funded, and (ii) pay-as-you-go. Unemployment insurance in Canada at the present time is a contributory plan into which flow three broad sources of revenue; (a) from the employee (b) from the employer and (c) from the government. It is also what is described as a cyclical budget plan, in that contributions are based on an average yearly rate of unemployment and when unemployment is below that average the fund accumulates and when above the average the fund declines. This is a very necessary feature of any unemployment compensation plan because the incidence of an employment in any year cannot be accurately determined. Our Canadian unemployment insurance plan is also a funded plan, in that rate and duration of benefit is determined by the rate and number of contributions paid by the individual employee.

Because it is a funded plan, it is necessary for the administration to maintain an individual record for each worker-contributor for a period of five

years, and the Commission now maintains some six million individual records and an alphabetical index of active contributors. We do not not retain what you know as the unemployment insurance books; we keep them for five years and then destroy them. You will be interested in knowing that we destroyed sixty tons of unemployment insurance books just a few weeks ago, and that is about the tonnage of destruction there will be every year from now on, which gives you an idea of the volume of paper work there is in this plan. The contributions to the fund are collected mainly through the sale of unemployment insurance stamps, which are affixed to insurance books issued to each contributor. The books are renewed annually so that at any time the contribution record for the individual for the current year is in the possession of his employer while he is working and in the worker's possession while he is unemployed. Records for the previous five years are in the custody of the Commission.

By this system, which is basically the British system, the employer does the bookkeeping. From the point of view of administration it is important; I suppose from the point of view of the employer it is a nuisance.

The Commission also maintains a staff of auditors who are responsible for the collection of contributions from people who are on the payroll. Each employer is visited on an average of every eighteen months. In the earlier years of the Act delinquents were fairly frequent, but they have been diminishing. As the value of insurance is appreciated by employers and employees, the policing of the Act becomes less difficult.

Now, this summary will give you the features of the Act which are related to old age pension legislation. If that legislation is on a contribution basis as is the Unemployment Insurance Act which has contributions, a reserve fund to take care of a drop in employment, and funding, because the benefits are related to the contributions, it would be feasible, I submit, to combine unemployment insurance and old age security by using the same technique and machinery for both. Ultimately, universal coverage could be attained for both, although I do suggest that this objective could best be developed over a period of years.

Now, we will go on from there to a statement of administration costs of unemployment insurance collections and what we think the cost might be if we were collecting for old age security too. First we assume that collections are taken for old age security from those under coverage of the Unemployment Insurance Act, and second that universal coverage is brought about.

We show first the cost of collecting unemployment insurance contributions, (a) on the present coverage and, (b) from all wage earners. The second table is the cost of collecting unemployment insurance and old age contributions on the basis of present coverage, from all wage earners, and also with universal coverage.

Then, the third statement is the cost of maintenance of individual records of the three classes of unemployment insurance coverage for all wage earners, and for universal coverage. Table 9 on page 3 is the cost of collecting unemployment insurance contributions on the present coverage. You will see the number of employers is given as 217,000, and the number of wage earners as 2,817,000. The revenue collected without the government contribution is given as $100,000,000.

It is costing us for auditing $1,716,000; and for local regional and head office cost, based on 5 per cent of the total administration, it is costing $1 million; so for the collection of contributions from these people, it costs $2,716,000 per year, and the percentage of the total revenue is 2·7

Just as a matter of information we have related that to the cost of collecting, as given to us by the Income Tax Department. They say the cost in 1944 of income tax collection was 4·9 per cent, and in 1949 it was 2·05 per cent.

By Mr. Homuth:

Q. I know that comparisons are odious, but do you not think it is costing too much to administer unemployment insurance?—A. That is this sort of question: "Are you innocent or guilty?" I shall claim that I am innocent. I say: No. It is not costing us too much. I thing this plan has worked out excellently.

Q. Are you taking into consideration that fact that the employer collects on the payroll?—A. The employer collects on the payrolls, but it is only $\frac{1}{10}$ of the job. I would say that the high level of employment in Canada would not be possible were it not for the fact that you have a very excellent National Employment Service. These two things dovetail and work together. The National Employment Service works with the unemployment insurance plan, and I would say that you are getting excellent results from every dollar that you spend.

Q. I am not being critical.—A. You asked for my opinion and I gave it.

Q. But is not some of the cost of your national employment agencies added to the cost of collecting unemployment insurance?—A. In this case we have attempted to separate it. Our total cost of administering the Unemployment Insurance Act and the National Employment Services is much more than this. I think it is $20 million a year. What we say here is that the cost of collecting, the job of going out and getting the money, is $2,700,000 a year; and we think it is quite low, actually.

The CHAIRMAN: I would like to know if it is the wish of the committee that questions be asked of Mr. MacNamara as we go along, or whether we should hear him first and then ask our questions?

Mr. FLEMING: Mr. Chairman, why not let him complete his statement first.

The CHAIRMAN: I understood that was you wish. That is no blame upon you, Mr. Homuth. We shall be coming back to this.

Hon. Mr. FARQUHAR: Mr. Chairman, why not let Mr. MacNamara just give the high lights.

The CHAIRMAN: I left it to the witness to decide, after the members of the committee stated that they did not have time to read the brief.

Mr. KNOWLES: Mr. Chairman, are these questions to be put at the end of the entire brief or at the end of the different sections.

The CHAIRMAN: I am in your hands.

Mr. FLEMING: I would suggest, Mr. Chairman, that you ask Mr. MacNamara to give the high lights of his brief and to complete them first.

The CHAIRMAN: Very well.

The WITNESS: I said a moment ago that we hoped to increase our coverage and to collect from all wage earners; and on page 4, table 10, we have tried to give you the cost of collecting unemployment insurance contributions only from all wage earners, if we were able to do that; and I think we will attain that objective, and that we shall be collecting from 3,673,000 employees, and that it will cost us about $3,716,000.

We give you these figures because we want to show you the trend of development. Well, then, coming down to table 11 on page 4, we suggest what the cost would be for collecting unemployment insurance combined with old age contributions from the group that is presently under the Unemployment Insurance Act, that is the 2,817,000 people. It would cost us about 10 per cent more to collect for both rather than for just one; and we give you a figure there of $4,088,000.

Then on page 4 under table 12 we envisage the collection of unemployment insurance contributions plus Old Age Security contributions from all wage earners, and there the figure is $4,088,000.

By Mr. Knowles:

Q. You read that figure last time when you meant it to be $2,988,000.—A. Thank you very much. I think I must have got twisted there. The members of the committee, I am sure, will have noticed the error. The first figure which I should have read was $2,988,000, and the second figure is $4,088,000. Then we go on in table 13 to the cost of collecting contributions on universal coverage which we give as $5,716,000. Table 14 on page 5 gets away from collections.

Q. Would that be universal coverage for both unemployment insurance and old age?—A. For both.

Q. That envisages collecting unemployment insurance from everybody?—A. From everybody.

By the Chairman:

Q. But that is the collection part of it only?—A. That is right, the collection part of it only. Now, we spoke of the cost of maintaining individual records. Our cost at the moment for the present coverage under the Unemployment Insurance Plan is given here as $2,505,000. Our book cost is shown as $106,000, that is the cost of book renewals. I told you a moment ago that we had about 60 tons to dispose of every year which means that we would issue 60 tons of new books. That means a book for each of the 2,700,000 people that we have, and it is a big job. Those local, regional and head offices costs we put in as $1 million, or a total for maintaining records alone of $2,505,000 a year.

Coming to table 15, we say for purposes of estimates in paragraphs 16 and 17 which follow, that an Old Age Pension Plan along the following lines has been envisaged. This is purely for the sake of producing something which would be explanatory. It is not given as a suggestion to the committee. We are not making any suggestions. We say that this is a kind of plan that might be envisaged, and that to qualify for old age pension a person must have contributed an average of 40 weekly contributions for each year since the plan commenced, or a maximum of 400 weekly contributions, whichever is the less. We have simply taken the formula of the British Plan and changed it and put it in here. The rate of pension is a flat rate irrespective of the rate of contribution. That means that the record of the individual records only the number and not the amount of the contributions paid. We are putting it in that way because the less details you have on the record, of course, the less the costs of maintaining them would be.

Paragraph 16. On the premise we have outlined, the cost of maintaining all individual records for all wage earners combining unemployment insurance and old age pensions, we have estimated at $3,380,000 which would be compared with $2,505,000 which it is costing us now. Then if we cover everybody, the total cost would jump to $5,010,000.

By Mr. Knowles:

Q. What additional length of time did you envisage maintaining the records, when you made that estimate?—A. That would depend on the plan you adopted. Of course, the keeping of the records, once they are made, is largely a question of storage.

Q. Granted so, I wondered what number of years you had in mind?—A. It might be that after 400 weekly contributions had been made, records would not be needed. But we have not gone into the details and obviously we could spend a lot of time canvassing possibilities of various plans. If you do not know the

plan, you do not know what to estimate. But we do say that the length of time you keep the records is not of terribly great importance. It is mainly a matter of storage. I might read:

If an old age pension plan along the lines mentioned in paragraph 15 were enacted and administered with unemployment insurance, the additional cost of adding this information to existing records would not be great. There would of course be records for more people and the records would be kept for a longer period.

If however old age pensions were administered separately and separate contributions collected and separate records maintained, the costs shown would be in addition to the costs now or in future incurred in administering unemployment insurance.

The above estimates deal with the cost of collecting contributions and the maintenance of individual records. They do not cover the cost of verifying and adjudicating claims or of paying benefits which would be additional items the cost of which could not be estimated without knowledge of the details of the plan adopted.

Mr. MACNAUGHTON: Could we ask questions now, or must we wait?

The CHAIRMAN: I understand the decision of the committee was that we would go over the whole brief before calling for questions.

Mr. MACNAUGHTON: I am very anxious to get the comments of this expert witness on certain questions.

The CHAIRMAN: What is the wish of the committee?

Mr. FLEMING: Let us break in now and ask questions up to this point. The rest of it is not related in any sense to the part that Mr. MacNamara has reviewed up to now..

The CHAIRMAN: Excepting the notes on the two last pages.

Mr. BROWN: Could we not have the witness complete his presentation now, because there are many members of this committee who cannot be here this afternoon.

Mr. MACNAUGHTON: That is the point. I would like to raise this subject now because I think it is of general interest.

The CHAIRMAN: There are only thirty-five minutes left. Should we call for questions now on the question of the possibility of integrating a contributory system to the present unemployment insurance system? What is the wish of the committee?

Agreed.

Mr. MACNAUGHTON: I am very much alarmed at the trend in private enterprise and I think I am right in saying also in the civil service, to refuse employment to people reaching the age of 40 or over. On the one hand the government seems to do everything in its power to increase life's expectancy through the Department of National Health and Welfare and the provision of medical services and what not, and at the same time the civil service puts out instructions to the effect that if a person is over 45 he need not apply, and even in their advertisements they prefer to have people 40 and under.

Now, if private industry is right, and if the civil service is right in this theory, I am beginning to wonder why we should elect members of parliament over 40 years of age, and what is the use of having cabinet ministers over 40 years of age, and what is the use of having judges of the Supreme Court over 40 years of age?

Mr. KNOWLES: Politely not mentioning deputy ministers.

Mr. MACNAUGHTON: The policy seems to be that a person of 45 is not of any further use and value in the country, but there seems to be inconsistency with what we are doing on the one hand and what we should be doing to provide for people 45 and over.

The WITNESS: It is a very interesting point indeed. I comment on it in my brief here on page 3 of the notes. I say:

> One other comment I might venture is that it seems to me there should be encouragement given to bring about the feeling that people able to work should work. I notice in the last issue of the Reader's Digest, Dr. Roger I. Lee, former President of the American Medical Association, warns us that "death comes at retirement". The eminent physiologist, Dr. Anton J. Carlson, says, "We are contributing to biologic parasitism as well as wasting valuable resources by keeping in idleness older workers able to perform useful service. Work is a biologic and social duty as long as we can carry on."

My own view is that we are heading into what might become a rather ridiculous situation. We are closing in on the number of employable people by increasing the school age on the one hand and lowering the retirement age on the other. If we keep on we will have a very small segment of the people maintaining a disproportionate number of the younger people and the older people. I am strongly of the opinion that people should be encouraged to work if they can work. I think that retirement at an earlier age is going to cause us trouble. We have advocated that publicly for some years and we have found that our public propaganda, if you like to call it that, is bringing some results, but it is still very very difficult to place in employment anyone, I would say, beyond 45 years of age for women, and 50 for men.

Mr. HOMUTH: Well, Mr. Chairman, I am going to take exception not only to the question but also to Mr. MacNamara's answer. Industry in this country is pictured as an organization that is refusing older men work and I do not agree with that picture. Now, it may be in the larger centres that that may be prevalent, I do not know, but in our smaller towns and villages, go into any of the industries and you will find there people who have been employed in these industries for 20, 30 and 40 years; in fact, in our own industry we could not even take out insurance because the average age of our employees was so high. I do not think it is fair to industry to say that industry is refusing jobs to men over 45 or 50.

Mr. CROLL: Industry itself said that in its brief. The Canadian Manufacturers' Association said that, and the insurance representative said the same thing.

Mr. HOMUTH: They do not talk for everybody.

Mr. CROLL: They talk intelligently. They have the overall picture so far as industry is concerned across the country.

The CHAIRMAN: Oh yes, Mr. Homuth, one witness said industry would have to revise its policy regarding people over 45.

Mr. HOMUTH: I am talking about the smaller industries in our small towns; that is not true about them.

Mr. ROBERTSON: And referring to new employment, not referring to older employees being kept on the job.

Mr. BROWN: Mr. Homuth does not say he will take on employees over the age of 45.

The CHAIRMAN: He says they are keeping them in employment.

Mr. MACNAUGHTON: The point, Mr. Chairman, is that the trend is there.

The CHAIRMAN: This has been an interesting discussion, Mr. Macnaughton, and I am glad you raised the point, but it is not included in the first pages of this brief.

By Mr. Fleming:

Q. I want to ask Mr. MacNamara several questions. May I say in the first place that I think this is a very helpful brief; the information contained in the brief, I think, is going to be helpful to the committee. I refer Mr. MacNamara in the first place to a statement at the top of page 3: "it would be feasible, I submit, to combine unemployment insurance and old age security by using the same techniques and machinery for both." Apart from its being feasible, are there advantages in combining the two as distinct from operating separate systems in your opinion?—A. I am inclined to the view that it is pretty good policy to follow experiences gained in other countries, and I am thinking of the British experience. They have been in this business for a long time. Parliament made no mistake in following that practice in regard to unemployment insurance. Possibly we should consider the British practice here. Now, to answer your question specifically, it seems rather obvious to me if you have one machine doing both jobs it will cost less money.

Q. That is on the cost side. On the administrative side may we take it the advantage again is on the combining of the two schemes?—A. I would say yes. The mere fact that the National Employment Service and Unemployment Insurance Commission have 250 branch offices in Canada gives them a good field force and the cost of administration of any scheme is in the field force.

Q. If the decision were taken to launch on a contributory scheme and to use your existing machinery for the purpose of collection and administration, how long would it take to enlarge your machinery so you could go into action?—A. Mr. Barclay says it would depend a lot on the Act and how complicated it would be. Of course, that is obvious. Rather than try and evade the question, I would think within six months.

Q. Now, some question has been raised previously about the difficulties of including groups such as the farmers, the self-employed and others. You have indicated in this brief that the trend so far as unemployment insurance is concerned has been towards including more and more groups, and I gather you look forward to the time when you can have universal coverage under unemployment insurance. Do you anticipate great difficulty from the administrative point of view in including the groups not presently covered? I am asking you, first of all, with regard to unemployment insurance before I come to the old age pension aspect.—A. There would be considerably more difficulty in including such groups as farm workers, for instance, than in the case of industrial workers in the city, because the number of employers you have to contact are greater. I am not of the opinion that the difficulties are insurmountable; I am of the opinion that some of the necessary techniques would be more expensive. This unemployment insurance plan is sometimes looked upon from the point of view that we will collect enough from each group to cover the benefits for that group. Should you take in a group when you know it is a bad risk? That is one of the considerations when you talk about expanding coverage, and it is one of the reasons why the coverage has not been expanded as rapidly as some have thought it should have been.

Mr. CROLL: Should that be a consideration under this? Is it really a consideration?

The WITNESS: I think. Mr. Croll, it depends a good deal on the need. Take an illustration of what I am saying: do you need unemployment insurance for the farm worker as badly as you do for the city industrial worker? I think

the answer is no. Consequently we do not, for the sake of having a good paper picture, go out and spend too much administrative money on an attempt to get the farm worker in, because we are not sure there is a great need there.

By Mr. Fleming:

Q. If you were using your existing machinery for the old age pension contributory scheme, would it be your suggestion that we start with approximately the groups that are now covered by unemployment insurance and extend your coverage more widely in the light of experience?—A. Well, I must, of course, preface any statement I make about that by saying that I am not making any suggestions.

Q. I am not asking you as to policy, but as to administrative feasibility and costs.—A. That would be the easy thing to do.

Q. You do not see any great difficulty in starting that way, I take it, in regard to old age pensions on a contributory basis?—A. You have got the objection, of course, that you are collecting from one group of people and not collecting from another group, and you might have pretty strong objection if the amount of contribution was unreasonably high. That comes into it immediately. I would think that to attempt to collect from the industrial worker or the insured worker the full cost of an old age pension scheme and not collect from the other part of the community would get you into hot water right away. If, on the other hand, you made it a reasonable collection, and started with the insured group only, you would probably not have any serious objection, because we have found that the industrial worker is willing to pay something towards what he gets so long as he knows what he is going to get.

Q. I take it your answer is given on the assumption that other than the contributing group would share in the benefits?—A. Yes.

Mr. Knowles: But you laid down a formula of 40 payments a year for ten years; so those people were not contributing.

The CHAIRMAN: Or if they did not have a sufficient number of contributions they would not benefit.

The WITNESS: That formula, of course, considered full coverage, Mr. Knowles.

Mr. KNOWLES: That is my point.

By Mr. Fleming:

Q. One point is full coverage in your contributions, and another question is full coverage in your benefits. This question arises where you are not collecting from the full group. You are assuming, I think, in your answer, that you are going to give benefits to everybody.—A. Oh, yes, I think we must.

Q. Now, we have had suggestions that the benefits under a contributory scheme might be confined to the contributors and you might have another scheme for people who were not included in the scheme who might tend to come into it voluntarily.—A. You say that I am assuming we should have full coverage in respect to benefits? I said yes, but I say also that you should have, in my opinion, full collection, by extending your scheme so that you collect from everybody. I am not of the opinion that this is impractical or is not feasible; it will take a little time to do it. There is also the other suggestion I make in here that possibly a combination of two things might be the answer; it might be a combination of something in the nature of the unemployment insurance plan plus the sale of Canadian Government Annuities. Now, I will at once agree that something in the nature of compulsory purchase of a Canadian Government Annuity by the self-employed or the farm owner up to a limit, and

possibly reduction of cost up to a limit, might be necessary, but I think the two things go together; if you are going to have universal coverage, universal payments, you have to have universal collections.

Q. I take it you would anticipate difficulty if contributions and benefits are not co-extensive?—A. I am not too sure that you would find very much objection to that as long as you made your contribution from the insured worker reasonably low.

Q. How would you accomplish that? Are you suggesting some contribution from the federal treasury?—A. Yes.

The CHAIRMAN: At the start then there would be a contributory plan covering only part of the population, for which you take money from the public treasury for the advantage of only a class of people in Canada?

The WITNESS: No, I would say that the contributions from the industrial worker would have to be augmented; the contributions from the industrial worker and the employer would have to be augmented by money taken from the general tax revenue.

Mr. KNOWLES: So it is the other way around, Mr. Chairman. The entire population would be drawing pensions, as Mr. MacNamara is now indicating, and they would be paid for in part from general revenue and in part from contributions from a section of the community.

The WITNESS: In other words, you would be giving the farm worker and the rural worker a break at the expense of the industrial worker. I for one would not see a great deal of objection to that ...

Mr. CROLL: You would not?

The WITNESS: ......because I think you might be doing something that you have been trying to attain for a long time, and that is helping to keep the farm worker on the land.

By Mr. Croll:

Q. Why do you not cover him then? If we need further inducements, give him unemployment insurance, that will help keep him on the land. Why has that recommendation not come forward?—A. I am not sure, as I said a moment ago, if it were that kind of insurance, that he would want to pay it.

Q. Isn't that exactly the point at issue? Your plan will be held back from real universal coverage. Is it not the case that the Canadian people, including the farmers, the self-employed and all the rest, are more nearly ready for universal old age contribution coverage than they are for universal unemployment insurance coverage; and if you have the two together would there not be some hesitancy on the part of some people to pay into one while paying into the other? Would that not hold back the whole old age pension contributory scheme?—A. I think the answer to that is that the one would help to carry the other and you might have the weight of influence on the other side of the scale.

Q. My opinion would be that the one would hold back the other.—A. I will put it the other way then, I think it would help to carry the other.

Mr. ASHBOURNE: When Mr. MacNamara was speaking about the extension of this unemployment insurance, I wondered if he would care to say something about including fishermen.

The WITNESS: Mr. Barclay explains that a survey is under way now; and I would think that the results from that survey will indicate that there is fairly good prospects for bringing them in. The practical difficulty in regard to the

fishing industry is the question of compensation. Many fishermen work on a share basis, as you very well know. It is pretty much of a community industry and they work when they want to work.

Mr. Brown: Aren't many of them self-employed?

The Witness: They are self-employed in that they have a share in the catch.

Mr. Ashbourne: I have one other question. On page 5, in item 14, I see you refer to commissions paid on sale of stamps; to whom is that commission paid?

The Witness: The sales are made by the Post Office Department and the commission is paid to the Post Office Department by the Unemployment Insurance administration. It is really just a bookkeeping matter. The Post Office Department says that the sale of unemployment insurance stamps places quite a burden on them and they say to the Unemployment Insurance Commission, we must be paid for that work. It is purely a bookkeeping entry, if you like, between the Commission and the Post Office Department.

Mr. Ashbourne: No commission is paid to any individual in the Post Office Department?

The Witness: No, not to any individual.

Hon. Mr. Horner: Is it not a fact that the share of the unemployment insurance contribution which is paid by the employer is passed on to the buyer in almost every case?

The Witness: I think that is right, I think everyone knows that in the final analysis it is the individual buyer who pays the employer's share of unemployment insurance, that in most cases it is passed on in the cost of the article produced.

Hon. Mr. Farquhar: I wonder if Mr. MacNamara could give us a little more information with respect to the item there at the bottom of page 4 in which reference is made to the "own account worker", where you state that the estimated revenue for own account workers is $40 million?

The Witness: I thought I had a breakdown of that here, but apparently I haven't. The own account worker is the farmer, the barber, the lawyer, the doctor—and the minister I suppose. This is an estimate of the number of own account workers there are in Canada.

Mr. Cannon: On that same page, the next item, I notice you indicate the cost of collection as being 5 per cent, or $2 million, while on page 3, down at the bottom of the page there, you indicate the cost as a percentage of revenue for making these collections as being 2·7 per cent.

The Witness: Well, of course, the cost of collecting from one individual would be very much more than the cost of collecting from one employer of one hundred individuals.

Mr. Cannon: And that is an indication of the cost of the universal coverage provision?

The Witness: Yes.

Hon. Mr. Farquhar: And you say that includes farmers, fishermen and the self-employed?

The Witness: What we are discussing here, Senator Farquhar, is the own account workers. I think you are thinking of this figure as money; but it is really numbers of individuals. We say that in Canada at the present time there are 932,000 own account workers.

By the Chairman:

Q. On section 17, on page 5, I understand that your estimate of the present labour force is 5,253,000 people?—A. Yes.

Q. And the cost of maintaining the individual records would be about $5 million?—A. That is right.

Q. And that is about $1 a year for every individual person covered?—A. That is right.

Q. What was the figure in the United States? Was it 12 cents for old age pension alone? We had a witness who I think said it was 12 cents a year.—A. I would think that would be the administration of the whole Act.

Q. Yes, the administration of the whole Act.—A. This is simply speaking of the cost of the records.

By Mr. Knowles:

Q. You do not in this, of course, take into account wives of workers or people in that category?—A. You mean—?

Q. The relation to their entitlement to old age pension under such combined plan.

Mr. Brown: You mean the survivors plan?

The Witness: The only record we would have would be that of the worker-contributor. The entitlement that the wife of the contributor would have is a matter for the Act. If a contributor's wife was entitled to something it would be on the basis of the contributor's record.

The Chairman: May I go on with my questions?

Mr. Homuth: It would look to me as though there must be some mistake. There is a dollar a person.

The Chairman: We had evidence given to us of the cost of keeping records which I think was 12 cents a year. Perhaps Dr. Davidson could give us some information on that.

Dr. Davidson: Mr. Chairman, I think that 12 cent figure to which you refer in connection with the American scheme is applied on a different basis from that which has been used in the recording of Mr. MacNamara's collection of the monies and maintaining individual records. Mr. MacNamara's cost per card of approximately $1 per card is based on the main labour force estimate. The U.S. figure, on the other hand, is based on the total number of cards in the live index, and as the years go by these cards increase in number from year to year so that in any one year the number of cards in the live index is substantially in excess of the number of individuals in the labour force for that particular year.

The Chairman: That is correct.

By the Chairman:

Q. You say that your cost each year for maintaining individual records will be about $5 million?—A. That is right.

Q. And the cost of collecting contributions, according to your figures of $5,716,000 should also be taken into account?—A. Keeping in mind of course that this is a combination.

Q. And that does not take into account the costs which are mentioned in section 19 on page 6; that does not cover the cost of verifying and adjudicating claims, or of paying benefits which would be additional items, the cost of which could not be estimated without knowledge of the details of the plan adopted. By the way, could you give us the total cost of unemployment insurance administration, for 1948 for instance. A. You are talking about the unemployment insurance and including the employement service?

Q. Yes.—A. I think in the neighbourhood of $20 million.

Q. Could you give me an approximate figure of the cost of unemployment insurance alone?—A. We were talking about that the other night. George, what would you say?

Mr. BARCLAY: It would figure out about fifty-fifty.

The CHAIRMAN: You think it would figure out that way, Mr. Barclay?

Mr. BARCLAY: About that proportion. It is difficult to arrive at an exact estimate. In the smaller offices, the two things are very close together, and the same clerk does both jobs.

The CHAIRMAN: That is right.

Mr. BARCLAY: And ordinarily we figure around fifty-fifty for the costs of administering the National Employment Service and the unemployment insurance scheme.

By the Chairman:

Q. What amount was distributed in benefits in the year 1948?—A. I have the 1949 figure at hand, would that suit your purpose?

Q. That figure of $20 million was for 1949?—A. For administration.

Q. For 1949?—A. Yes.

Q. What is your estimate of the benefits paid the same year?—A. $85 million.

Mr. CANNON: What is the amount in the fund now?

The WITNESS: $580 million, speaking from memory. Here is a paragraph from the annual report of the Unemployment Insurance Commission which just came to our desks yesterday. The total benefits paid out during the year (we are speaking of the last fiscal year) was $85,824,202.13, which included supplementary benefits for March, amounting to $818,065. This represents an increase of $35,997,449.97 over the previous year which was due to two factors; the greater amount of unemployment during the latter months of 1949 and the first part of 1950 as compared with the previous fiscal year, and the fact that more claimants had become entitled to the maximum benefit payable at the new rate which came into effect for the first time in October of 1948. The average daily rate of benefit payable for 1949/50, including the supplementary benefit, was $2.34, compared with an average rate of $2.09 in 1948/49. That was an increase of about 25 cents per day in average daily benefit.

The CHAIRMAN: May I interrupt at this stage to ask if it is the intention of the committee to sit this afternoon? It is nearly 1 o'clock now and we have still to deal with the section relating to annuities.

Mr. FLEMING: In view or the fact that many of us have to be in another committee this afternoon at 4 o'clock perhaps the committee could resume its sitting today at 2.30.

The CHAIRMAN: Yes, we can sit at 2.30 and carry on until a quarter to four. Could you come back at 2.30 Mr. MacNamara?

The WITNESS: Yes.

The CHAIRMAN: Is that agreeable?

Some Hon. MEMBERS: Agreed.

Mr. KNOWLES: I do not know whether we are going to be permitted any more questions relating to unemployment insurance. I take it that when we come back this afternoon we will be dealing with annuities.

The CHAIRMAN: Yes.

Mr. Knowles: I have just one or two questions I would like to ask under the heading of unemployment insurance and I was wondering if I could ask them now; or, will Mr. MacNamara be coming back tomorrow?

The Chairman: We will have Dr. Davidson before us tomorrow and that will conclude our public sittings.

By Mr. Knowles:

Q. I wanted to ask a question or two with relation to funding. I think this is a pretty big fund to which reference was made just now; it amounts to $585 million. In speaking about this funding principle earlier today I take it that you were advocating that particularly so far as unemployment insurance was concerned by reason of the fact that it was difficult to estimate what the incidence of unemployment might be, that you cannot tell in advance what it is going to be, and you thought it was desirable to have a fund on hand for that purpose.—A. I think the answer is yes; with this further condition, that the Act itself requires us to have this established funding system, and the size of the fund depends on the volume of the contributions, and in the event of unemployment you must have the money there with which to pay out the benefits which are set forth in the Act.

Q. There is another point in connection with old age benefit, and that is that the incidence of payment is not quite so uncertain. We know what the old age benefit burden is going to be on the economy year by year, which brings up the question as to whether or not there is the same justification of a fund of that kind being built up for the purpose of old age security. Then I wondered, as I was listening to your presentation of your brief, whether you envisaged collecting enough by means of these contributions from insured people to pay any substantial portion of the cost of old age security. What is your thought as to the size of the fund which will be needed to operate the old age security benefit scheme?—A. First of all, I would say that, in my opinion, a small reserve would be necessary. It is true that benefit payments may be estimated fairly accurately; but contributions can not be taken from the unemployed, and in a year of heavy unemployment, it might be necessary to fall back on the reserve in order to maintain benefit payments. But only a small reserve fund would be needed. Then, you asked me what proportion of the cost of old age pensions I would collect from the individual. I haven't worked that out. Possibly you might say with respect to the group represented by the industrial worker, approximately 3 million people, that the burden of old age security would rest on that particular group in relation to 6 million people of the population of Canada who now were not under it; that might be reasonable. I don't know.

Q. That apart from the burden to be borne by them through their payments into this unemployment-old age joint insurance scheme, do you envisage most of the cost coming out of the general revenue?—A. I would say it does not seem to be possible that the contributions from general revenue would be any less than they are today.

Q. Would they be more?—A. That is not for me to say.

The Chairman: It depends on the age.

Mr. Knowles: Just a minute, maybe I have got it wrong, but as I have followed this through I am not sure that I see a great deal of advantage about this—if I may say so—very complicated method of collecting these contributions, because after this is all done and after we have thrown away sixty tons of paper a year we are going to have to pay the pension anyway.

Mr. Laing: You are asking the witness questions of policy.

The Chairman: We will adjourn until 2.30 o'clock this afternoon.

The committee adjourned.

AFTERNOON SESSION

THURSDAY, June 1, 1950

The committee resumed at 2.30 p.m.

Mr. Arthur MacNamara, Deputy Minister of Labour, recalled:

The CHAIRMAN: Senator King and gentlemen I see a quorum. Before we go on questioning Mr. MacNamara might I ask one of the members of the committee to move that the following memoranda be appended to today's evidence. These memoranda were prepared at the request of the members of the committee by the Research Division of the Department of Health and Welfare. They are as follows:—

1. Data on family allowances for countries on which briefs have been presented concerning old age income security programs; (Appendix "A").
2. Invalidity pensions in Australia, Denmark, New Zealand, and Sweden; (Appendix "B").
3. Personal income and social security taxes in Sweden; (Appendix "C").
4. Supplementary data concerning old age income security programs in countries for which briefs have been presented. (Appendix "D").

This document contains answers to twenty-one questions which were put by members of the committee at various times during the proceedings of the committee.

Mr. FLEMING: Do these memoranda clean up all the tag ends that were left outstanding from time to time during evidence?

The CHAIRMAN: There is one document to come and it will be here tomorrow morning before Dr. Davidson gives his evidence.

Mr. FLEMING: That is a recent one?

The CHAIRMAN: I believe it is. Gentlemen, do you wish to question Mr. MacNamara further on the subject we were discussing this morning? We will leave the subject of annuities for the moment.

By Mr. Fleming:

Q. Mr. MacNamara, do you see any difficulty in exacting contributions from employers to funds to provide an old age pension?—A. I would think that if they follow the usual pattern they would object.

Q. I was not thinking so much of their attitude; I suppose nobody wants to pay more money: I am speaking rather of the administrative side—the side you are concerned with?—A. I would say there would be no difficulty in collecting.

Q. There is one qualification you put in here, in section 11. You said, "higher rates of contribution would probably mean more delinquency and heavier cost of collection." Can you expand on that statement?—A. First of all with regard to delinquency, there has always been a higher degree of delinquency in something that is new; and, secondly, where we have a large group spread around geographically, you would also have difficulty.

Q. I suppose if the benefits were confined to contributors, as you were suggesting this morning— —A. I do not think I said—

Q. Perhaps I should not say you suggested: as was assumed in the question you answered this morning—put it that way?—A. No, I did not say that. I would like that to be corrected. I think you should have universal benefit, and I think I made that pretty clear.

Q. Following that, the question was put to you about the contributors and the beneficiaries being co-extensive. Getting at this question of providing incentive, we had witnesses who suggested that we should provide incentive by confining the benefits to the contributors and permit persons outside the compulsory scheme to come in voluntarily.—A. That is obviously so; but I think that in considering this my opinion is that you have to have universal benefit; you have to pay it either one way or the other in my judgment. I think your objective should be universal collection. I think you can attain that under a scheme such as we have for unemployment insurance. I believe it would take a little time. I think you might cover the people who are not insured by requiring that they buy a government annuity limited to whatever you set the old age pension at, and if they bought a government annuity they would not be included in the old age security assessment.

Mr. CANNON: What do you mean by requiring that they buy government annuities? How could you enforce a thing like that?

Mr. FLEMING: I suppose that it is in the second part of the brief.

The CHAIRMAN: No, it is not. I have read it.

The WITNESS: You ask me how? It could be enforced if everyone, as in Britain, was required by law to contribute to an Old Age Security collection scheme—except those people who had a Canadian Government in good standing, limited to whatever amount you wanted to set.

By Mr. Cannon:

Q. There would always be the sanction that if they did not purchase the annuity, they would have to do without the pension?—A. Yes. But I do not believe that is an effective sanction because if they are, let us say, at age 70, —

By the Chairman:

Q. It would not be a universal coverage then?—A. The two schemes would give you universal coverage.

Q. I mean on the contributions side it could not be universal coverage because you could not have poor settlers paying for an annuity at the rates I saw in your brief, or the people who are in asylums, and all those people?—A. I would say it was a second choice.

Q. Would they be covered if they did not pay? Would they receive a pension if they did not contribute either through their contributions or through the buying of an annuity?—A. You are speaking of the people who are in institutions?

Q. The people who are in institutions, or the people who are so poor that they just cannot pay.

Mr. HOMUTH: That would be arbitrary, would it not?

By the Chairman:

Q. Would or would they not receive a pension?—A. Just as in Britain they have to have a plan which takes care of the unemployed who either cannot buy or cannot contribute, or through the force of circumstances have not done so.

Q. Then we would have to keep on the side of the two schemes a third scheme, a means test scheme?—A. Yes, for a very small number.

Q. So there would be a three-fold scheme?

By Mr. Fleming:

Q. On page 5 of your brief in paragraph 15 under the heading of "Rate of Pension" you indicate that one of the features of the pension plan which you envisage is a flat-rate, irrespective of the rate of contribution, which means that

the record of the individual would record only the number and not the amount of the contributions paid. Have any figures been prepared estimating the cost, in case the pension were not paid on a flat-rate basis but rather on a graduated basis similar to the system prevailing in the United States or in Great Britain?—A. You mean in respect to the amount of the pension or to the amount of the collection?

Q. I am thinking of the benefit, the graduated benefit.—A. I would say "no" to that question. We certainly have not made any calculations.

Q. Would you be prepared to express an opinion as to whether it would increase the cost of administration much or little?—A. It certainly would increase the cost; and the more detailed you make your record and the larger the field you get into as soon as you relate it to the contributions the more expensive it would be. I would not like to venture a guess in dollars and cents.

Q. You have not made any study of the schemes in effect in the United Kingdom or the United States which would help us a little more on that point?—A. No.

By the Chairman:

Q. Under that three-fold system everybody would be covered?—A. That is true.

Q. If the benefits were payable at 70, then the cost would be $323 million?—A. Yes.

Q. And half of it, according to what you said this morning, would be paid through contributions from the employees, from the wage earners and from the employers?—A. Yes.

Q. And the balance of it would come from the general revenues?—A. Yes.

Q. Except for those who had bought annuities?

Mr. KNOWLES: He did not say "one-half"; I think he said "part".

By the Chairman:

Q. I think he said "half" this morning.—A. I said: "Let us say half". When you are through with your question I would like to explain.

Q. Very well, you may explain now.—A. You see, you have two main groups, the employed group and the self-employed group. Now, if you say that the employers should pay, let us say, the same proportion they are paying now for unemployment insurance, 40 per cent of the employed persons would pay 40 per cent; so it seems logical to say that the man who is self-employed would pay 80 per cent.

By Mr. Cannon:

Q. What is that again, please?—A. I say that it is logical to say that the man who is self-employed would pay 80 per cent; in other words, he would pay the share which we ordinarily would assess against the employer and the employee.

By the Chairman:

Q. Eighty per cent of the annuity he buys himself, and the other $\frac{1}{5}$ would be paid by the government through general revenues?—A. That is right.

Q. I see; and for the others who would be under the means test, it would be completely paid for out of general revenues?—A. That is true. In Britain I notice that the number who are under the means test form a very small percentage.

Q. As Mr. Knowles said this morning, it seems that under such a plan we would be getting through a very complicated three-fold procedure to arrive at the same result a universal pension paid from contributions: and I do not

now make any distinction between ear-marked taxes and general revenues for the purpose of my question.—A. The same argument applies to unemployment insurance. You might be able to get unemployment insurance money out of general taxes rather than assess it against the people who benefit. But I would say that the people who benefit would appreciate it less and in addition to that you would be under constant pressure to increase the benefits. Where the participant is buying at least part of it, he knows that if his benefits increase his contribution increases. So I think that on that one point alone you have a distinct advantage in collecting something from the contributors or from those who benefit.

By the Chairman:

Q. That is the psychological effect of the contribution. But wouldn't you have the same psychological effect with a social security tax?—A. No.

Q. Why?—A. I do not know why, but we do not think that way in Canada. We are sold on insurance.

Mr. Croll: Well, the insurance people did not think so. They were here before us and they did not think so.

Mr. Knowles: And they should know.

By Mr. Croll:

Q. And they were here to sell a bill of goods yet they did not even try it; and their brief indicated the fact.—A. I suppose the only answer I could make is that you have a choice of their opinion or mine.

Q. With respect to unemployment insurance no one benefits except those who contribute, as the Act now stands?—A. That is true.

Q. But the plan which you have spelled out— —A. Except, well—except in the one case, except for supplementary allowances.

Q. That is right.

The Chairman: They are coming out of general revenues?

By Mr. Knowles:

Q. But when the Act gets into full operation it won't even apply there?—A. Yes it will.

Q. Under the plan for old age which you have spelled out there would be people benefiting who had not contributed?—A. Those who are in institutions, as your question developed, would not contribute. But I do think that everyone else would, eventually.

Q. But all that self-employed group who would not be contributing at all would come in on the benefit side according to your statement?—A. I have not presented any scheme which does not visualize full coverage. You asked me if there would be any objection if assessments were made on the one group and not on all. I said there might not be as much objection as you contemplate; but I am envisaging full coverage for contributions as well as for payments.

Q. You say in your brief that ultimately universal coverage could be obtained for both of them. I would suggest that this objective could best be developed over a period of years?—A. Yes.

Q. And you say that so far as the benefit is concerned, any plan would have to start paying right now?—A. Yes.

Q. But would there not be an initial period of from two to twenty years in which there would be a fairly large group of people who would not be contributing, but who would have the right to benefit? What is the advantage of that? The chairman suggests some sort of psychological advantage which is coincident with a universal benefit?—A. There are advantages, I submit, first, based on the theory that Canadians are "sold" on the insurance system—

(I agree there may be a difference of opinion as to how thoroughly they are sold on insurance) because if a contributory system is followed, the system becomes accepted as insurance against poverty and old age; there is the second advantage that people contributing would know that they are paying into a fund from which they will probably obtain a direct advantage, whereas there would not be the same appreciation of this fact if a general security tax was paid in some other way, unless it was collected entirely separate from other taxes. There is one further thing that I should mention, which is that combining with Unemployment Insurance would mean that the employers would do the collecting from their employees, and the employers in this way would be taking up half the load.

By the Chairman:

Q. You could call it an old age security contribution; then you would have your psychological effect.—A. I do not believe you would.

By Mr. Knowles:

Q. The only difference is that you are collecting it by the Unemployment Insurance Commission instead of by the Department of National Revenue.—A. In one case you are collecting it as part of the general taxes whereas in the other case you would be collecting for a specific purpose.

Q. We have not worked out our report yet and the government has not yet drafted a bill on the basis of our report; but there is talk of both kinds. There is talk in our discussions of increasing the general income tax; and there is talk of making a special social security tax, either of which would presumably be collected by the Department of National Revenue.—A. Your question is what?

Q. What is the advantage of having that collected by the Unemployment Insurance Commission instead of by the Department of National Revenue?—A. I think in one case you are calling to the attention of the person who pays it what it is for to a greater degree.

By Mr. Croll:

Q. Do Australia and New Zealand have unemployment insurance the same as we have?—A. You will probably know more about that system than I do, Mr. Croll, because you have been studying it more intensively.

Q. No, no; unemployment insurance, not old age security. They are on that system, they pay the insurance out of the money they collect.—A. I should think that in Australia and New Zealand they combine social security and unemployment insurance.

Q. No, I am not thinking of that, I am thinking about the fact that the social security tax covers both in those countries. The effect of the tax is what I am thinking about, not the amount. What I am saying is that in New Zealand and Australia they pay a special social security tax rather than a combined tax for old age pension benefit and unemployment insurance. That is my point.

The CHAIRMAN: Unemployment benefits in New Zealand are paid out of the receipts from the social security tax.

Mr. CROLL: Yes, it is a social security tax there.

The CHAIRMAN: Yes, that is paid into the social security fund which is used for a lot of purposes including unemployment insurance.

Mr. HOMUTH: That is for all social security.

The CHAIRMAN: Yes, that is the system in New Zealand.

Mr. FLEMING: The coverage in New Zealand is not the best example.

The CHAIRMAN: I did not say that.

By Mr. Fleming:

Q. You have expressed your view as to the desirability of universality of coverage. Which do you regard under universality of coverage as being the more urgent, unemployment insurance or old age pensions?—A. I have no opinion on that. That is something which one might have a lot of argument about.

Q. Might I offer a suggestion, for the reasons mentioned by Mr. Knowles this morning, namely that old age comes to everybody where unemployment may not develop with the result that there may be some greater urgency for universality of coverage in old age pensions than in the case of unemployment insurance.—A. And against that you might say that the old man might not have as many dependents, certainly he would not have as many growing children as the chap who finds himself without work and had unemployment insurance benefits. It is a pretty hard question to answer Mr. Fleming.

Q. I don't press it. If you do not care to answer you do not need to.

The CHAIRMAN: Well, you take the farmers. They are likely never to need any unemployment insurance but most of them will need old age security, isn't that true?

The WITNESS: There again the farm is his old age pension in many cases.

The CHAIRMAN: If there were a union of farmers representative here I do not think he would agree with you.

By Mr. Fleming:

Q. Turning now to another question, what percentage of contribution do you contemplate from the employer for old age pensions?—A. I will leave that to the committee.

Q. I see in your statement the figures on costs being the same as for unemployment insurance?—A. We didn't reach any figure. It really does not matter very much what figure you have.

Q. There is no problem there in the matter of administration cost?—A. No, our percentage figure was based on the cost of unemployment insurance administration; rather, how much did it cost for unemployment insurance, and to that we added the collections for old age security; how much in addition would it cost. We merely used a percentage.

Q. And you added 10 per cent?—A. Yes.

Q. One further question: You also have reference in there to the difference between the funded and pay-as-you-go plans. Would you consider there would be any difference there as to the cost of administration used?—A. No, except that in a general way we thought the pay-as-you-go plan was advisable and we thought that the funded basis on known experience was a very difficult one. In other words, you can't afford to wait.

Q. At the top of page 3 you set out a very important paragraph in which you say: "It would be feasible I submit to combine unemployment insurance and old age security by using the same technique and machinery for both. Ultimately universal coverage could be attained for both although I do suggest that this objective could best be developed over a period of years." How long a study—a study extending over what period of time—would be required by your department or your departmental officials, or the officials of the Unemployment Insurance Commission to determine that?—A. I believe that we have been talking about this thing now for 5 years.

Q. Then it is not a new question at all in your experience, and so I gather that this is based on a very long study and very ample consideration?—A. That is true.

Mr. KNOWLES: Is that a suggestion of the period of years over which universality would be achieved? Could you tell us how long in your estimation that would take?

The WITNESS: That would depend a great deal upon the objection you ran into there. I would not want to fix a period of years at this stage. I said this morning I think that the value of what a person is going to get has a good deal to do with this attitude towards paying for it. The value of unemployment insurance today is much stronger that it was when we put it into effect, and consequently there are no serious objections to it today. You could run into all kinds of objections, so you would have to meet them by discussions and conferences. I would think if you passed an Act or a law and said that you were going to require contributions from everyone that within six months or a year you would be able to put it into effect. Great Britain has done it and I am inclined to think that we could do it here.

By Mr. Cannon:

Q. I would like to ask you a question also in connection with that paragraph on page 3 to which Mr. Fleming just referred. I take it from that that ultimately the department contemplates the self-employed will be under unemployment insurance.—A. We haven't worked out the technique for it yet. I am rather inclined to think it will be a good thing for all.

Q. It will be a good thing and you consider it more or less feasible. When do you think we are likely to get it?—A. I think some day we will have it, maybe not now but in the not too distant future. The great difficulty there is in assessing how much you should pay.

The CHAIRMAN: And the objections to it.

The WITNESS: Yes, that is true.

Mr. CANNON: And that would include the fishermen in my country, they are largely self-employed?

The WITNESS: That is a matter which I said was now under study during the course of my remarks this morning. We are now trying to work out the answer to that.

Mr. CANNON: Yes, I know. As a matter of fact, I think you intend to cover everybody, but I would think it would be easy to bring in the fishermen who are self-employed.

The WITNESS: Obviously.

Mr. CANNON: And I was wondering if utimately you contemplated that it would be possible to bring into this scheme everyone who is self-employed.

Mr. HOMUTH: In your statement at the top of page 4 you refer to agricultural workers, I take it that you include with them farmers' sons. Would you distinguish between the hired man and the farmer's son?

The WITNESS: Well, Mr. Homuth, it is not the easiest thing to distinguish between a farm worker and a son, that is true; also, they are spread around a lot, and for that reason we have not tackled them yet. There is also the further reason that the average worker on the farm is not very often out of work.

Mr. NOSEWORTHY: I take it that you feel that it is quite feasible to use the unemployment insurance set-up to collect contributions from everyone for old age security?

The WITNESS: Yes.

The CHAIRMAN: Now, did members of the committee have time during the lunch hour to read through the second section of this brief?

Some Hon. MEMBERS: No.

Mr. KNOWLES: We didn't have time, Mr. Chairman; we had to have dinner.

The CHAIRMAN: Well then, Mr. MacNamara, would you give us the highlights of that?

The WITNESS: On page 1, I outline what the framers of the Act had in mind and call attention to a parliamentary paper published in 1907. The preamble of the Act itself pretty well explains the purpose of passing it. Their hope was that it would develop habits of thrift in order that people might be encouraged and aided to make provision for their old age. There are two types of annuity provided for in the Act; the deferred annuity and the immediate annuity, and we describe both. I would think that most of the members are familiar with them.

One rather new development is that under section 6 of the Act provision is made for group contracts. Until about ten years ago they were not used very much. Starting in 1940 there were four contracts in existence and 1,240 people covered, and in 1950 we have 846 group contracts in force affecting practically 159,000 people.

Mr. CANNON: Might I ask now the rates on this group contract compare generally with the rates charged by the insurance companies?

Mr. McCORD: They are somewhat less. Since the rate was changed in 1948 they are not quite as much lower as they were before that date.

By Mr. Homuth:

Q. But they still are?—A. They are still slightly less.

Q. Is the coverage the same?—A. It depends on the policy. We have not quite the latitude the insurance companies have in the matter of providing an annuity or a pension, but I think our policies compares very favourably with those of the insurance companies.

Q. Is the lower cost not offset by the wider coverage given by the private companies?

Mr. KNOWLES: The government rate has been higher since 1948.

The WITNESS: Yes, but it is still silghtly less than the insurance company cost.

By Mr. Homuth:

Q. The wider coverage offsets that?—A. I would think the insurance company has a much greater sales force than the government has, a much more active sales force, a bigger advertising budget and also the insurance company is not bound by an Act of parliament to the same extent that the department is. We have to issue our contracts under the authority of the Act and the insurance company has much more elasticity.

By Mr. Brooks:

Q. What would be the average cost of annuities?—A. I think we had some figures on that and it was $438 a year.

By Mr. Blair:

Q. Why are they not more popular; is there any reason why they are not more popular? How much are they pushed by the government sales force?—A. Since the inception of the Act there have been 293,000 contracts sold. 43,000 of these contracts have been finished by death or cancellation.

By the Chairman:

Q. You have this information on the third page from the last.—A. Yes, there are 260,000 policies in force. If a young man can buy old age security at $2.25 per month, your question is why does he not do it. I would say it is largely because he thinks at that age what he will not need it when he is 70 or 65 either. He is thinking then of getting married, buying his home and his furniture, and how he can take his girl to a show, and he does not want to spend $2.25 on an old age pension.

By Mr. Homuth:

Q. And he is busy generally raising hell.—A. Yes, going to picnics and that sort of thing. We do not think of these things until later on in life.

By Mr. Blair:

Q. That is when he should be thinking of it. With this plan in force and many people with ability to buy annuities, why are more people not interested in contributing to their old age?—A. I suppose the answer is they have a more immediate need for every dollar they get.

Q. Those arguments all apply to life insurance annuities. They will buy life insurance company annuities but will not buy government annuities.—A. I would think the reverse is true. Up to the time the rates were increased two years ago the life insurance companies were not selling any annuities at all to speak of.

By Mr. Noseworthy:

Q. When the rates were increased the sales of the insurance companies increased and ours decreased?—A. Yes.

Q. Did the insurance company rates increase at the same time?—A. No, the government rates increased.

By Mr. Blair:

Q. My point is, why was it necessary to increase the cost of government annuities when the insurance companies did not find it necessary to increase their rates?—A. The insurance company rates were always higher than ours.

Q. And they are still higher?

The CHAIRMAN: Oh yes, there is no administration charge for an annuity. On the third page from the last the rates are mentioned for an annuity of $40 at age 70 for one man.

Mr. BLAIR: Before we leave this annuity question, how far did the government go in advertising annuities and persuading people to buy them?

Mr. BROWN: As much as parliament will appropriate.

The WITNESS: We spend all parliament gives us.

Mr. KNOWLES: Parliament gives you all the government asks for.

The WITNESS: We spend all the members vote.

Mr. BROWN: The Treasury Board have a great deal to say on how much is to be spent.

By Mr. Blair:

Q. Through parliament and the Treasury Board or anyone else do you try to find means to push the sale of annuities? Lately I have found people interested in annuities and they have nowhere to go and get them. Some of them have complained that they have not a chance to buy them and the government annuity had not been brought to their attention.—A. My own opinion is that there is room for expansion in sales methods.

Q. I will tell you very frankly now that I had a man who was very enthusiastic about annuities and who wanted to sell them but no one would let him sell them. From conversations I had I was rather led to believe you had to be a civil servant to sell them.

The CHAIRMAN: You would have to pay a commission, and if you pay a commission it would increase the rate of the premium.

Mr. KNOWLES: Is it not the case that there were agents a number of years ago?

The WITNESS: We have agents in all principal cities and we pay them a commission for selling. The maximum commission a man can make is $75, but the rates vary.

The CHAIRMAN: I believe we are far from our terms of reference.

Mr. BLAIR: There is just that one point. I am wondering why more people have not purchased security through annuities.

Hon. Mr. KING: We do not know.

The WITNESS: I think the answer is, the sale of annuities is in competition with the sale of life insurance and life insurance companies have a much larger budget to spend on advertising, salesmen's salaries, sales methods, and so on, than we have. Whether or not the government should get into business on as active a basis as the insurance companies is open to question. I had a discussion in a committee of the Senate in connection with our estimates and two senators have a definite view that we should not advertise the sale of annuities at all, that on every contract we sold the government was losing money, and we should not try to sell them. It is a question of judgment. We do spend on advertising and sales effort all the money that members of the House of Commons will vote for us.

Mr. HOMUTH: In our district we have a very livewire salesman and he makes an exceptionally good living. He sells an awful lot of annuities.

By Mr. Cannon:

Q. As a matter of fact does the government lose money on every contract or are the rates fixed?—A. The government contributes the cost of administration, and I suppose there is an argument for your statement. On the basis of the rate of 4 per cent which was paid until the last changes were made the government lost the difference between 3 per cent and 4 per cent. I know the government pays into the fund every year about $1 million. Last year it was $1,200,000.

Q. In connection with that, on table 2 you have the amount transferred to maintain the reserve?—A. Yes.

Q. Every year from 1930 to 1950 the amount is a few hundred thousand dollars except in 1937-38 it is $8,900,000, and in 1948-49 it is $11,400,000. I do not understand why you have such large transfers?—A. That is entirely due to a change in the interest rate. In evaluating the liability on every contract they take into consideration the interest rate and on the evaluation before these sudden changes they were allowing a higher rate.

Q. In those two years you had a change.

By Mr. Knowles:

Q. Was the change in 1937-38 not a change in interest rates but rather a change in the premium rate from the mortality tables?—A. Thank you for the correction. It was a change in the estimated life of the people.

Q. Yes, the 4 per cent figure was not changed until 1948?—A. That is right.

Q. In connection with the 4 per cent figure which you have referred to two

or three times, may I ask to keep it clear, whether it is not the case that annuities taken out at any time since April 19, 1948 are calculated at a 3 per cent rate?—A. That is true.

Q. But anyone who took out an annuity prior to that date, even if he has made the bulk of the payment since that date, gets the benefit of the 4 per cent rate?—A. That is correct.

Q. Is it not also the case that if someone takes out an annuity now he would get the benefit of the 3 per cent rate if he lived to enjoy the annuity, but if he dies the money is returned to his heirs with interest at 4 per cent? —A. That is correct.

Q. I am not against the latter situation but it does seem to be a bit of an anomaly. If you die you get 4 per cent; if you live you get 3 per cent. The purpose of the Act was to encourage people to provide for their own old age, alive.

Mr. HOMUTH: That encourages a lot of people to die?

The WITNESS: I was going to say that it was a reward for dying.

Mr. KNOWLES: You cannot take it with you.

The WITNESS: It is an anomaly that will be corrected whenever the opportunity arises.

By Mr. Noseworthy:

Q. When you speak of these amounts transferred to maintain the reserve does that mean they are amounts the gouvernment adds from consolidated revenue to the annuity fund?—A. In the bookkeeping of the government they maintain an account—I have forgotten what they call it but it is a liability account—and when this amount of money is fixed by the actuaries and the comptroller general, they transfer to this account a credit.

Q. From where?

Mr. KNOWLES: From the pot.

The WITNESS: The debit is against the consolidated revenue fund.

Mr. NOSEWORTHY: In other words it is additional money actually put into the annuity fund?

The WITNESS: Yes, on the books.

The CHAIRMAN: May I revert to the subject which Mr. Macnaughton raised this morning. It is a matter of much interest to me and I believe also to the members of the committee. May I quote from an article which appeared in an American weekly. My quotation will be quite short: "Job prospects are getting dimmer for old workers. Those forty and over once out of work are finding it hard to get back in." Further it states: "Pensions,"—industrial pensions—"definitely are beginning to influence employers' attitude toward hiring of older workers."

A little further it reads: "Pension plans are the newest psychological barrier —for older men and women."

Would you comment on that?

The WITNESS: Unfortunately it is true to a degree, although I notice in recent contracts made by General Motors and Ford they have taken into consideration the fact that the older age group will be maintained after retirement age, and also there is some other concession on this point in their collective bargaining.

Employers of the older people in my opinion have some feeling that they cannot contribute as much as younger people and that they should not be taken on.

We encouraged older people during the war to take work and we found that in many cases they did better jobs than younger people. Our publicity

has been along the lines of trying to induce employers to consider the matter in that light—that they would be well advised quite often to take on people in the older age brackets. Unfortunately our publicity does not bring about as sudden a change of heart as we would like.

However, I do see signs of improvement here and there. It is a most difficult thing to change the attitude of employers, not only employers but others too. It took ten of fifteen or twenty years of steady pounding on the part of all concerned during the depression years to have them let out older people, pay them old age pensions, and to employ younger people. Maybe it is going to take just as long to reverse that line of thinking. Sincerely and honestly I think the retirement of people when they can work is the worst possible thing you can do to them. I see so many of my own connections, and I hear so many reports of other fellows, who just rust away when they are retired, regardless of what their pension or means of livelihood is. It is my view that we are building up a serious problem for ourselves.

Mr. Horners Would you oppose lowering age to 65 on the ground that it might shorten life?

The Witness: I would not express an opinion there but I think a man's age relates more to his ability to work than it does to his birth certificate.

By Mr. Noseworthy:

Q. Is not the whole question of employment related to the amount of employment available?—A. Oh, yes.

Q. If there were enough employment to employ everybody up to 65 or 68 you would not have that problem of letting older people out?—A. That is true. But I am of the opinion that there is lots of work in Canada and that the only unemployment we have is seasonal unemployment.

By Mr. Homuth:

Q. May I say this, Mr. Chairman, that perhaps the allowable earnings of a man retired on an old age pension would have a big influence on whether he works or not.—A. I am afraid I do not follow you.

Q. I am referring to the allowable earnings. He can now only earn, I think it is $120 a year, but if the allowable earnings were put up high enough a lot of men of old age pension age would still continue working?—A. I think that is true.

Mr. Knowles: The same thing would apply if the means test were taken off altogether.

The Witness: I would agree to that too.

By the Chairman:

Q. May I quote another part of the same article I was quoting before: "Employers seldom sit down and calculate the pension liability on an older man, as compared with a younger man. They just feel that a man who will be eligible for a pension in twenty years, for example, is not as good a risk for them as the man who won't be able to collect a pension for forty years." Does the same situation exist in Canada with regard to employers?—A. Yes, I think so. I think it does. I think the more farseeing employers are getting away from that idea, but up to now I am afraid it does apply.

Q. Would you say then, Dr. MacNamara, that a way of reducing that disadvantage that the people of 40 years and over are suffering from—do you agree that a good way would be to have a universal pension—a universal pension contributory either through a social security tax or contribution, a universal pension that would cover everybody of a certain age, because it

would diminish the need for the industrial pension plans?—A. You are thinking of an old age pension at something under 70 years of age?

Q. No, no. Of course if you had a universal pension at 70, even if certain pension plans call for retirement at 65, it will cost less to both the employer and employee in contributions anyway because they could get reduced benefits after 70. I do not know if you get exactly what I mean?—A. I think the effect of an over-all pension at any age would probably be to cause the employer to consider: Well, this man has reached pensionable age and we will separate him from the payroll. I do not know whether that answers your question or not.

Q. Suppose it is age 70?—A. I think the same thing would happen. I believe the date of separation from employment should coincide with the date of an acceptable application for old age pension. What I am getting at there is that in many cases the date of separation is 65 and the pensionable age is 70. I think there should be that lapse of 5 years.

Q. In the example you gave the age for the payment of pension was 70.—A. Yes.

Q. If you come down to 65, under the contributory scheme that you outlined, it will cost us $560 million a year which will come from contributions and from the general revenues?—A. What I would like to see is that men who are able to work be kept on as long as they can work, and that would bring them to the 70 year mark; but I am afraid that if you get too generous with regard to something below 70 it might have the opposite effect. However, I think the two things should coincide; that the general practice should coincide with the date of the old age pension. If you can bring about a feeling amongst employers and the people of Canada that men should stay on working as long as they can work I do not believe you would have this payment for old age pension between 65 and 70. I am not so sure it is a good thing to give a man an old age pension when he can work.

Q. I agree with you there.—A. For what it is worth, that is my view.

Q. My question was this: would not the existence of a universal pension at 70 years of age—the one you outlined—would not the existence of such a scheme reduce the need and demand for industrial pension plans?—A. They certainly would reduce the need, and anything that was demanded would be built on top of the basic pension. In other words, if your basic pension was $75 a month your industrial pension would be built on top of that, it might be $25.

By Mr. Knowles:

Q. Is it not also the case that a state pension plan would be much less of a barrier to these older men getting employment—men in their 40's and 50's—than industrial pension plans would be?—A. Yes.

Q. In many cases these people whom the chairman was reading about find it difficult to get employment because their age is such that the firm which has its own industrial pension plan is concerned about the pension situation; but if the pension were paid by the state, even if the state were collecting from the firm, that situation would not be there.

By Mr. Cannon:

Q. Following the line of reasoning opened up by Mr. Knowles, if you did have universal pension for everybody over 70, and supposing the employer were in the position where the pension plan would cost him less than it would if there was no universal pension over 70, he still is faced with the alternative of choosing between an older employee who will sooner be entitled to his pension and a younger employee who will be entitled to pension later on. Mr. Chairman, from the psychological point of view I do not think that makes much difference. Even if the employer's payments are less he still has to choose between the older man and the younger man.

Mr. KNOWLES: A firm is not going to take on a man if it has to pay him a pension out of what he produces for that firm in ten or twenty years; but if they are going to have to pay only their portion of a state-financed plan it is a different story.

Mr. HOMUTH: I think we are paying too much attention to the question of men between 40 and 50 or 55 years of age, because in my experience in industry—and it has been considerable—I have not found that attitude. The only place where you will find that attitude is where pension schemes have recently been built up; but, generally speaking, particularly in the small towns and villages, we would much rather employ a man of 40 or 50 than some young fellows of 20 or 25 years of age. I think we are stressing too much this matter of not employing men of middle age.

Mr. NOSEWORTHY: The facts contradict that statement. What you say may be true in some small towns, but you have only to go to any city and you will find that a man who is over 50 years of age is simply shut out; it is practically useless for him to apply for a job.

The CHAIRMAN: Mr. MacNamara said that the problem existed. Now, gentlemen, I wish in your name and my own to thank Mr. MacNamara and his assistants, Mr. McCord and Mr. Barclay, for their assistance to us today.

Mr. KNOWLES: Mr. Chairman, some of us have been calling the witness Mr. MacNamara, but he is really Dr. MacNamara, formerly of the University of Manitoba.

The WITNESS: It is more a surprise to me than otherwise when people call me "Doctor".

Mr. HOMUTH: I am sure you have been called a lot worse things.

The CHAIRMAN: You may rest assured, Dr. MacNamara, that your contribution to today's discussion will be helpful to this committee.

Mr. COTE: May I say, Mr. Chairman, that we opened our proceedings this morning by reading an article which appeared in a paper and I trust you will allow me the privilege of making a few remarks while you are thanking Dr. MacNamara. I wish to acquaint the committee with an article which appears in today's Montreal *Gazette*. It is a despatch from Long Beach, California, and reads as follows:

> Arthur MacNamara, Canada's Deputy Minister of Labour, has been presented with a citation of merit by the International Association of Public Employment Services at the association's 37th annual conference here, it was announced today.
>
> The citation, presented before some 2,000 delegates from the United States, Canada, Alaska, Hawaii and Puerto Rico, recognized Mr. MacNamara's "remarkable achievements in the public service of his country."
>
> The deputy minister was praised for "his tireless devotion to duty, unrelenting zeal and ultimate accomplishments in the struggle for improved labour-management operation of the National Selective Service in the war years, as well as the organization and implementation of unemployment insurance and the institution of National Employment Service embracing agricultural labour and the establishment of displaced persons in Canada."

I thought the coincidence warranted my asking permission to read this article into the record.

The CHAIRMAN: Our compliments Doctor. Again, gentlemen, we thank you very much for appearing before us today.

The WITNESS: The only comment I would care to make is: please hide my blushes

The committee adjourned.

APPENDIX "A"

DATA ON FAMILY ALLOWANCES (1) FOR COUNTRIES ON WHICH BRIEFS HAVE BEEN PRESENTED CONCERNING OLD AGE INCOME SECURITY PROGRAMS

(Research Division, Department of National Health and Welfare, May, 1950)

Family Allowances are not paid in the United States, Denmark and Switzerland. For other countries where Old Age Security Program is under study by the Committee the following brief data (2) are supplied:

AUSTRALIA

1. *Dates of First and Current Basic Laws*

The first law was passed in 1941. Currently governed by Social Services Consolidation Act of 1947, as amended.

2. *Coverage*

Families eligible. Families of residents with two or more children. Also paid to approved institutions (except public mental hospitals) caring for children.

Children eligible. Second and each subsequent child under age 16.

Other Qualifications. Persons receiving allowance must be resident for at least 12 months preceding claim. If alien, Administration must be satisfied that child is likely to remain permanently in country. If child is maintained by parents in mental institution, allowance is paid to mother. Aboriginal natives entitled unless nomadic or unless child is chiefly maintained by government funds.

3. *Source of Funds*

All national social security benefits paid from National Welfare Fund formed of (*a*) Social Services Contribution from individuals of from 3d. per £1 of income to 1s. 6d. per £1 of income; (*b*) 2·5 per cent of that part of pay roll of employers which exceeds £20 per week; and (*c*) Commonwealth appropriation from general revenue, as necessary.

4. *Benefit*

10s. a week for each eligible child.

5. *Administration*

Commonwealth Department of Social Services with branches throughout country.

FRANCE

1. *Date of First and Current Basic Laws*

The first law was passed in 1932. Currently governed by Ordinance of 1945 and Law of 1946, as amended.

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[1]Information requested by Mr. Cannon, April 27, page 276, Minutes of Proceedings and Evidence, Joint Committee of the Senate and the House of Commons on Old Age Security.

[2]*Social Security Legislation Throughout the World,* Bureau Report No. 16, Federal Security Agency, Social Security Administration, 1949.

2. *Coverage*

Families Eligible. Families of French citizens and resident aliens gainfully occupied or unable to work (including registered unemployed, social insurance beneficiaries, etc.), with dependent children.

Dependents. For *family allowance:* Second and each subsequent child subject to school attendance (for additional year if not working; to age 17 if apprenticed; to age 20 if in school or invalid). For *single-wage allowance* ([1]): First and each subsequent child if only 1 earner in family. For *maternity allowance*: Mother must not be over age 25 or birth must have occurred within 2 years of marriage in case of first child. Subsequent children must be born within 3 years from date of last birth. Child must be living and dependent on parent at time second instalment is paid.

3. *Source of Funds*

Employed person: None

Employer: Full cost of allowance of persons in employ—16 per cent of wages and salaries up to 264,000 fr. a year. Also (on own behalf) 10 per cent of base wage of unskilled worker in department.

Self-employed: 4, 7, or 10 per cent of base wage of unskilled work in department of residence (percentage determined by extent of Government subsidy to insured persons's occupational group).

Government: Portion (usually 2/5) of cost of benefits for self-employed.

4. *Benefit*

Employed person: Family allowances: 20 per cent of base wage (minimum wage of unskilled worker in Paris steel industry—12,000 fr. a month, January, 1949—adjusted in other departments), second child; 30 per cent for third and each subsequent child. Paid (as prenatal allowance) from certification of pregnancy. Single-wage allowance: 20 per cent of base wage, first child, 40 per cent for 2 children, 50 per cent for 3 or more children. Paid from certification of pregnancy. If only 1 child, allowance reduced to 10 per cent of base wage when child reaches age 5, unless parent is widow or 1 parent is ill or disabled. Maternity allowance: 3 times base wage, first child; twice this amount for each subsequent child. Payable in 2 instalments—at birth and 6 months later.

Self-employed: Currently computed on earnings base approximately ½ that of employed person.

5. *Administration*

Family Allowance Boards and Primary Social Security Boards, under general supervision of Ministry of Labor and Social Security.

GREAT BRITAIN

1. *Dates of First and Current Basic Laws*

The Family Allowances Act, 1945, effective August, 1946.

2. *Coverage*

Families eligible. Families of resident citizens with two or more children.

Dependents. Second and each subsequent child under age 15. If still in school or apprenticed, allowance is paid to August 1 following 16th birthday.

Other. If both parents are British subjects born outside United Kingdom, one must have been resident 52 weeks in the two years immediately preceding

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[1]Single wage allowance is paid to persons or households dependent on one source of income derived from employment.

The FamilyBenefits Program also makes provision for prenatal and housing allowances.

payment of allowance. If both parents are aliens, one must have resided in country for 156 weeks in the 4 years immediately before payment of allowance. Family eligible if one or both parents fulfills requirements.

3. *Source of Funds*

General revenue.

4. *Benefit.*

5s. per week for each child after the first.

5. *Administration*

Ministry of National Insurance. Payment is normally made through Post Offices.

NEW ZEALAND

1. *Dates of First and Current Basic Laws*

The first law was passed in 1926. Currently governed by Act of 1938.

2. *Coverage*

Families eligible. Families of residents with children.

Dependents. First and each subsequent child to age 16 (18 if in school, no age limit if invalid).

Other. Payable to mother. Not payable if other monetary social security benefit payable in respect of child. Must be used exclusively for maintenance or education of child. If not born in country, child must be permanent resident for 12 months before application for allowance.

3. *Source of Funds*

Proportionate share of Social Security Fund formed from 7·5 per cent tax on gross incomes of individuals, 7·5 per cent tax on net incomes of firms, and Government contribution.

4. *Benefit*

10s. a week.

5. *Administration*

Social Security Department, supervisory. Social Security Commission, in Department, administers program through central office, regional registrars, and district agents (under regional registrars). Land and Income Tax Department collects contributions.

SWEDEN

1. *Dates of First and Current Basic Laws*

The first law was passed in 1947, effective from January 1, 1948. Special family allowances, 1938; rent and fuel allowances, 1935.

2. *Coverage*

Families eligible. Families of Swedish residents with children.

Dependents. First and each subsequent child under age 16. Foreign children in care of Swedish residents also entitled.

Special family allowances. Full orphan; half orphan with widow or invalid father, subject to income test.

Rent, etc., allowances. Two children under age 16 in family, subject to income test.

3. *Source of Funds*

National Government exclusively, from general revenue.

4. *Benefit*

260 crowns a year, payable quarterly. Special family allowances (in addition to above): 420 crowns a year, each full orphan; 250 crowns, each half orphan and child of recipient of national pension. Rent allowance: 130 crowns a year, each child; fuel allowance: 175-225 crowns, varying with district.

5. *Administration*

Ministry of Social Affairs, government department responsible. Royal Social Board, general supervision and final appeals body. County councils (first appeals body). Local child welfare committees. Special family allowances: Royal Pension Board and local pension committees. Rent and fuel allowances: Rent Board and local government authorities.

Appendix "B"

INVALIDITY PENSIONS IN AUSTRALIA, DENMARK, NEW ZEALAND AND SWEDEN[1]

(Research Division, Department of National Health and Welfare, May, 1950)

AUSTRALIA

1. *Date of first and current basic laws*

First legislation in 1910. Currently governed by Social Services Consolidation Act of 1947, as amended.

2. *Coverage*

Australian citizens. Exclusions: Aliens; aboriginal natives unless character, intelligence, and social development, warrant inclusion or unless exempt from aboriginal control laws of States or residence.

3. *Source of funds*

All national social security benefits paid from National Welfare Fund, formed as follows:

(*a*) Social Services Contribution tax on income in excess of £104 a year for single person; £201 for couple, greater exemption if more dependents. Rate begins at 3d. per £1, rising to maximum of 1s. 6d. per £1.

(*b*) 2·5 per cent of pay roll of employees excluding first £20 per week.

(*c*) Appropriations from general revenue when and if necessary to provide benefits.

4. *Benefit*

£2 2s. 6d. a week subject to income and property test. Reduced by amount by which income exceeds £1 10s. a week for single person or £3 for couple. For

[1] Information requested by Mr. Picard, April 27, pages 275, 276, Minutes of Proceedings, Joint Committee of the Senate and the House of Commons on Old Age Security, April, 1950. Source: Social Security Legislation Throughout the World, Bureau Report No. 16, Federal Security Agency, Social Security Administration.

each child under age 16, 10s. a week extra income, less amount of any other payment for child, allowed without reduction. Gifts from children or parents, benefits from friendly societies and trade unions, and certain other outside income exempt.

Benefit reduced by £1 a year for every complete £10 in excess of £100 for property up to £450, and by £2 a year for every £10 of property over £450. No pension if property exceeds £750. Home, furniture, surrender value of life insurance policy up to £200, and certain other property exempt.

Blind persons have no reduction in pension until outside income is in excess of £5 17s. 6d. a week. Property test same as for old age.

Wife's allowance, £1 4s. a week, subject to same income and property tests as for old age.

Child's allowance, 9s. a week.

Invalid pensioners eligible for vocational training at Commonwealth's expense with pensions continued.

Funeral benefit same as for old age.

5. *Qualifying conditions*

Age 16 and permanently incapacitated for work (at least 85 per cent disability) or permanently blind. Incapacity must have occurred in Australia (waived if 20 years' residence). Continuous residence in country for at least 5 years (certain absences excused as under old-age pensions). Good character.

Wife's allowance—Wife or common law wife living with invalid and not receiving other pension.

Child's allowance—Child under age 16 and not entitled to family allowance.

6. *Administration*

Commonwealth Department of Social Services with branches throughout country.

DENMARK

1. *Dates of First and Current Laws*

Currently governed by Act of 1933 as amended.

2. *Coverage*

Compulsory for all Danish citizens who are members (active or passive) of the health insurance program except persons who are admitted to sick club membership suffering from a frequently recurring or incurable disease or serious bodily infirmity and whose health is such that they are deemed unable to contribute substantially towards their own maintenance.

3. *Qualifying Conditions*

Payable from ages 14 to 65 (inclusive). Unable to earn one third of amount earned by persons with similar training and skill in same locality. Income limit as for old age pension. Membership in sick club. Good character.

4. *Number of Recipients*

41,800 persons on January 1, 1946 or approximately one per cent of the total population.

5. *Benefit*

Same as for old age plus special supplements as follows (rates as of April, 1949):

ANNUAL INVALIDITY SUPPLEMENTS

Type of Supplement	Amount by Cost of Living Areas and Marital Status					
	Copenhagen		Provincial Towns		Rural Districts	
	Couples	Single	Couples	Single	Couples	Single
	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)
Invalidity	456	228	432	216	408	204
Helplessness	972	648	900	600	828	552
Blindness	864	432	816	408	768	384

NOTE.—Additional benefits: Vocational training and medical care under health insurance.

6. *Source of Funds*

(*a*) Insured: 7.20-9.60 crowns annually according to age at admission to insurance and marital status.

(*b*) Employer: 6 crowns annually for each worker for whom he must carry accident insurance.

(*c*) Government. National government 48 per cent of total cost, communes 1/7 of pensions.

7. *Administration*

Ministry of Social Affairs, Government agency concerned. Invalidity Insurance Court, national body of 5 members appointed by Minister, determines right to invalidity benefits. Administration of invalidity insurance interlocks with health insurance administration as to eligibility, income, etc. Pensions are disbursed by commune of residence.

NEW ZEALAND

1. *Country and Dates of first and current basic laws*

First legislation in 1936. Currently government by Social Security Act, 1938, as amended.

2. *Coverage*

Universal contributions collected on all earnings and other taxable income.

Benefits provided on occurrence of risk and satisfaction of qualifying requirements.

3. *Source of funds*

Social Security Fund finances all social security programs except workmen's compensation, war pensions and government workers' pensions. Income of fund derived from:

(*a*) 7·5% tax on gross income of person,
(*b*) 7·5% tax on net income of firms,
(*c*) Grant from Consolidated Revenue.

4. *Benefit*

£2 10s. a week, except for a single person under age 20, who receives £2.

Reduced £1 a year for each £1 of income in excess of £78 a year. Special allowance for married women requiring nursing or domestic assistance.

Personal earnings of blind persons up to £3 a week (£156 a year) not taken into consideration for pension purposes.

5. *Qualifying condition*

Age 16-60, permanent incapacity for work through accident, illness, or congenital defect, or totally blind. Incapacity may not be self-inflicted.

Residence: 10 years immediately preceding date of application for benefit.

Property and character qualifications same as for old age.

6. *Administration*

Social Security Department, supervisory. Social Security Commission, in Department, administers program through central office, regional registrars, and district agents (under regional registrars).

Land and Income Tax Department collects contributions.

SWEDEN

1. *Dates of first and current laws*

1913, currently governed by the National Pensions Act of 1946 as amended, same law as for old age pensions.

Coverage

Swedish citizens, aged 16-66 inclusive.

3. *Qualifying Conditions*

Aged 16-66 inclusive, permanently incapable of self-support in work corresponding to experience and training.

Housing and housewife's benefits subject to income test same as old age pensioners.

Blindness supplement: Paid without income test to persons who have become blind before reaching age 60.

Sickness allowance: Disablement same as for invalidity, lasting at least 1 year but not deemed permanent. Granted for specific period in advance.

4. *Number of Recipients*

136,763 persons as of December 31, 1946 (latest figure available).

5. *Benefit*

200 crowns a year irrespective of other income. Plus invalidity supplement, after income test, up to 600 crowns a year for married pensioners whose spouses also have a pension or who have a wife's allowance, and 800 crowns for single pensioners (total maximum basic pension rates same as for old age pension).

Plus housing supplement, after income test, same as for old age pension.

Housing supplement (if wife not entitled to any benefit), and special local housing supplement: Same as for old age.

Blindness: Extra allowance of 700 crowns a year, without income test.

Sickness Allowances: Same as for invalidity.

6. *Source of Funds*

Same as for Old Age.

(*a*) Insured: on per cent of income subject to income tax, but not less than 6 nor more than 100 crowns a year. (Contributions cover 10-15 per cent of cost). Voluntary contributions may be made at higher rate for increased pensions.

(*b*) Employer: No contribution on behalf of employees.

(*c*) Government: National Government pays approximately 75 per cent of cost of program from general revenue.

7. *Total Cost of Invalidity Pensions, Sickness Benefits and Allowances for Blind*

Communes pay part of cost of pensions supplements. 200 million crowns as compared to 567 million crowns for old age pensions. (1)

8. *Administration*

Ministry of Social Affairs. Government department responsible for program. National Pension Board administers program nationally. Local Pension Committees receive and process claims. Contributions are collected with national income taxes.

APPENDIX "C"

PERSONAL INCOME AND SOCIAL SECURITY TAXES IN SWEDEN

(Prepared by the Department of Finance, May 26, 1950)

National and local income taxes are closely integrated in Sweden. The local income tax which is on a flat percentage basis is allowed as a deduction from income before computing the national income tax. The average local income tax is said to be about 10 per cent. The local real property tax is also deductible in the same way. The national income tax is not deductible from income for local income tax purposes. However, allowances for the local income tax are lower than those used for calculating taxable income on the national level.

Income

Included in income are profits from business income from employment, interest, dividends, and pensions and other forms of annuities.

Also included in income are capital gains on the sale of securities or other movable property which the taxpayer owned for less than five years and on the sale of land and houses that have been owned for less than ten years.

Deductions for pensions-insurance premiums for life insurance premiums (maximum deduction $43) are allowed. Periodic financial support given to other persons is also allowed.

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(1) Amounts shown represent estimated amounts for 1948, no other data currently available.

Exemptions

Exemptions are based on cost-of-living zones and in the case of a single person only to lower wage earners. Thus, in group I in the table below the exemption would apply only on income up to $561 and in group V on income up to $644. The allowance is reduced as the income rises, so that a single person with an income in excess of $2,338 in the highest group and $2,253 in the lowest would have no personal allowance at all. A wife's earned income is added to her husband's but she may deduct 50 per cent of that income up to $213. There are no exemptions for children under 16 years of age but a tax free family allowance for each child of $55 per annum is paid for each child up to its 16th year.

Cost-of-Living Groups

	I	II	III	IV	V
Married man with or without children	$531	$558	$585	$611	$638
Single person	340	361	383	404	425

Rate

The rate schedule commences at 10 per cent and increases to a maximum of 70 per cent.

Other Taxes

In addition to the income taxes and local property taxes mentioned above, Sweden also has a tax on capital owned by individuals where such capital has a value in excess of $6,377. Capital in this context includes land and houses (based on their assessed value) stocks, bonds, debentures (according to their market value at the end of the taxation year), bank deposits and other holdings. It also includes jewellery, motor cars, yachts, etc., furniture and other articles of domestic equipment are exempted. The tax is levied on the combined property of man and wife and any property of children under 21. A reduction is allowed for all debts.

The rates are as follows: 6 per cent on excess over $6,377.

$ 89	on	$21,255	plus	10	per cent	on excess
$196	"	31,883	"	12	"	"
$323	"	42,510	"	15	"	"
$642	"	63,765	"	18	"	"

A special reduction clause provides that a taxpayer does not have to pay capital tax for such part of his capital as exceeds 30 times his assessed income, provided that the taxable amount of the taxpayer's capital must never be reduced to less than one-half of his total capital.

There is a furthr provision that the national taxes including the capital tax, plus the local taxes must not exceed 80 per cent of the taxpayer's income.

Social Security Tax

The only compulsory levy is connected with the old age pension program and amounts to 1 per cent of the income subject to income tax with a minimum of approximately $1.30 and a maximum of approximately $21 per annum.

The following is an example of the method of computation of the various taxes on the individual:

EXAMPLE OF THE CALCULATION OF TAXES IN SWEDEN

Family without children, domiciled in cost-of-living group V.

Net income $4,265

Capital owned $26,650

A. Local income tax			
Net income			$ 4,265
Personal allowance	$107		
Allowance for wife	43		
		$150	
50 per cent increment		75	
		$225	
Total local allowances			225
Taxable income			4,040
Local income taxes (10 per cent thereof)			404
B. National income tax			
Net income			$ 4,265
Deduction for local income tax paid during the income year, estimated at		$405	
Local allowance		640	
			1,045
Taxable income			3,220
The income tax rate on $2,985 is			552
32 per cent of the excess $235			75
National income tax			627
C. Tax on capital owned			
Capital			$26,650
The capital tax on $21,320 is			90
And 10 per cent of the excess $5,330 is			53
			143
Total amount of the taxes			$ 1,174

Sources: "Key to Swedish Taxes", published by the Swedish Taxpayers' Association, Stockholm, Sweden. "Social Security Lgislation Throughout the World", published by the Federal Security Agency, Social Security Administration, Washington, D.C., U.S.A.

SWEDEN

EXAMPLE OF DIRECT INCOME TAXES ON DIFFERENT INCOMES 1948*

(Kr.—·2132 cts.)

Net Income	Single			Married Without Children		
	Income Taxes	OASI Contribution	Total	Income Taxes	OASI Contribution	Total
$	$	$	$	$	$	$
213	5	2	7	3	2	5
426	27	7	31	20	4	24
640	64	8	70	41	6	47
852	110	9	119	78	9	87
1,066	160	11	171	119	11	130
1,279	215	13	228	162	13	175
1,492	275	15	290	208	15	223
1,705	334	17	351	257	17	274
1,918	401	19	420	311	19	330
2,132	466	21	487	362	21	383
2,558	611	21	632	475	21	496
2,985	754	21	775	594	21	615
3,411	910	21	931	727	21	748
3,838	1,076	21	1,097	871	21	892
4,264	1,258	21	1,279	1,031	21	1,052
5,330	1,731	21	1,752	1,475	21	1,496
6,396	2,222	21	2,243	1,964	21	1,985
7,462	2,729	21	2,750	2,454	21	2,475
8,528	3,268	21	3,289	2,976	21	2,997
9,594	3,812	21	3,833	3,516	21	3,537
10,660	4,398	21	4,419	4,076	21	4,097
12,792	5,571	21	5,592	5,249	21	5,270
14,924	6,775	21	6,796	6,424	21	6,445
17,056	8,040	21	8,061	7,703	21	7,724
19,188	9,313	21	9,334	8,959	21	8,980
21,320	10,581	21	10,602	10,227	21	10,248
34,112	18,664	21	18,685	18,277	21	18,298
38,376	21,392	21	21,413	21,007	21	21,028
42,640	24,121	21	24,142	23,736	21	23,757
53,300	31,477	21	31,498	31,029	21	31,050

* Includes both local and national income taxes. Local tax assumed to be 10%. The taxpayer is presumed to have no capital, and to live in cost of living Group V (see text).

APPENDIX "D"

SUPPLEMENTARY INFORMATION CONCERNING OLD AGE INCOME SECURITY PROGRAMS IN CANADA, NEW ZEALAND, AUSTRALIA, SWEDEN, GREAT BRITAIN, DENMARK AND THE UNITED STATES

(*Research Division, Department of National Health and Welfare, May, 1950*)

CANADA

1. Mr. Fleming (May 2, page 300) requested the number of persons covered under pension plans approved by the Department of National Revenue.

Answer

The Department of National Revenue estimates that coverage as of March 31, 1950 under 4,125 approved industrial plans is 627,000 persons. This figure excludes persons employed by non-taxable entities such as federal and provincial government, municipal and local undertakings, hospital, charitable and welfare organizations.

2. Mr. Fleming (May 4, page 402) requested the total number of persons in the Labour Force, the number of employed persons in the Labour Force, and the number employed in each occupational category of the Labour Force, so that a comparison could be made with figures contained in chart (page 350) in brief on Old Age and Survivors Insurance in the United States.

Answer

Information requested is summarized in Tables A and B below.

TABLE A

Total Labour Force, Total of Employed Persons in Labour Force, and Number and Per cent of Persons Employed in Each Employment Category, October 29, 1949

Employment Category	Employed Persons	
	Number	Per cent of Total
(a) Agriculture	1,048,000	20·7
(b) Manufacturing	1,342,000	26·6
(c) Service	910,000	18·0
(d) Trade	669,000	13·2
(e) Transportation, Storage and Communication	365,000	7·2
(f) Construction	329,000	6·5
(g) Finance, Insurance and Real Estate	144,000	2·9
(h) Other	246,000	4·9
Total Employed Persons in Labour Force	5,053,000	100·0
(i) Persons Not Employed and Seeking Work	147,000	—
Total Labour Force	5,200,000	—

TABLE B

Comparison of Numbers and Categories of Persons in Labour Force, Canada and United States, 1948

Item	Canada		United States	
	Number	Per cent	Number	Per cent
	('000)		('000)	
1. Employed Labour Force—				
(a) Paid Workers, non-farm	3,238	66·4	45,300	76·3
Paid Workers, farm	134	2·8	3,300	5·5
(b) Self-Employed, non-farm	492	10·0	6,100	10·3
Self-Employed, farm	668	13·7	4,700	7·9
(c) Unpaid Family Workers, non-farm	53	1·1	—	—
Unpaid Family Workers, farm	294	6·0	—	—
Total	4,879	100·0	59,400	100·0
2. Unemployed Labour Force	103	—	2,000	—
3. Civilian Labour Force	4,982	—	61,400	—

3. Mr. Brown (May 9, page 518) requested information concerning life expectancy in Canada.

Answer

COMPLETE EXPECTATION OF LIFE[1], BY SEX, CANADA, 1921, 1931, 1941, 1945, 1947

Age	1921[2]	1931	1941	1945	1947
	years	years	years	years	years
MALES					
0	[3]	60·00	62·96	64·67	65·18
2	[3]	64·46	65·62	66·89	67·04
7	60·23	60·61	61·45	62·49	62·60
27	43·34	43·12	43·40	44·13	44·14
47	26·57	26·14	25·93	26·37	26·36
65	[3]	12·98	12·81	13·12	13·25
67	12·00	11·76	11·62	11·92	12·08
FEMALES					
0	[3]	62·10	66·30	68·03	69·05
2	[3]	65·42	68·16	69·59	70·19
7	60·64	61·44	63·88	65·13	65·64
27	43·51	43·88	45·47	46·46	46·89
47	27·16	27·22	27·97	28·62	28·88
65	[3]	13·72	14·08	14·52	14·65
67	12·48	12·44	12·77	13·18	13·31

SOURCE.—Dominion Bureau of Statistics Bulletin on Life Tables; *Life Tables for Canada and Regions, 1941 and 1931; Life Tables for Canada, 1945; Life Tables for Canada, 1947.*

[1] "The complete expectation of life represents the average number of years lived after the given age, at the current rates of mortality, among a group of persons exactly that age".
(2) Canada, excluding Quebec, Yukon and Northwest Territories.
(3) Data not available.

NEW ZEALAND

4. Mr. Knowles (April 25, page 201) asked whether the Social Security Commission may exercise discretion in favour of the applicant when considering the payment of unemployment benefit subject to means test.

Answer

"The Commission in its administration of this section of the Act has largely provided income and property exemptions comparable with the other benefits which are subject to statutory provisions in the application of the means test. In formulating its policy it has had regard to the fact that an individual or a family is in need of assistance when cash cannot be found to provide the necessaries of life, and has considered it undesirable that an individual or family should be required completely to exhaust accumulated savings or all available resources before becoming eligible for an unemployment benefit.

"Consequently the Commission has determined that, in so far as earnings of the husband and wife are concerned, the maximum rate of benefit is to be reduced by 1s. a week for every complete 1s. of earnings. For all other income, as distinct from earnings, a deduction of 1s. a week for every 1s. of income over 20s. a week is made from the maximum benefit. Also the benefit is reducible by 1s. a week for every complete £26 of accumulated property in excess of £500 for a single person and £1,000 in the case of a married person. The property not taken into account includes a home, furniture, personal effects, any interest in land, including a mortgage, or the present value of any annuity or life-insurance policy. Benefits are not reducible in respect of both property and the income from that property, but deductions are made on account of either

income or property whichever provides the greater deduction." *The Growth and Development of Social Security in New Zealand.*

5. Mr. Smith (April 26, page 241) requested information as to other pension schemes in operation in New Zealand.

Answer

Schemes in force for the provision of superannuation payments to public servants on their retirement embrace the State Railways, Public Service (including police), teachers and stipendiary magistrates. A general scheme available to all local authority employees is operated by the National Provident Fund Board.

The National Provident Fund provides two distinct services: First annuities and subsidiary benefits for members of the general public, with extension for members of approved friendly societies and employees of firms; secondly, superannuation for local authority employees.

AUSTRALIA

6. Mr. Smith (April 26, page 241) requested information as to other pension schemes in operation in Australia.

Answer

Information available indicates that there are superannuation plans for employees of the Commonwealth government; and in a number of industrial concerns, though probably not to the same extent as in Canada.

SWEDEN

7. Mr. Benedickson (April 27, page 272) asked whether income derived from voluntary pension schemes, and in particular from the government pension scheme, is excluded under the means test for old age pensions.

Answer

No.

GREAT BRITAIN

8. Mr. Knowles (May 5, page 454) requested information on the number of recipients of public assistance, with particular reference to the number over age 60 as compared to those age 16 to 60.

Answer

Information requested is shown in the following table:

AGE AND SEX OF PERSONS RECEIVING NATIONAL ASSISTANCE GRANTS ON 9TH NOVEMBER, 1948(1), GREAT BRITAIN

—	16-20 years	21-24 years	25-34 years	35-44 years	45-54 years	55-59 years	60-64 years	65-69 years	70-74 years	75-79 years	80-84 years	85 years and over	Total
Males	5,860	6,300	20,260	28,820	32,960	18,680	27,600	64,860	78,620	58,340	27,320	8,900	378,520
Per cent	1·55	1·66	5·35	7·62	8·71	4·94	7·29	17·13	20·77	15·41	7·22	2·35	100·0
Females	9,820	11,360	31,420	43,460	59,640	39,240	56,740	90,860	97,820	79,340	44,540	20,700	584,940
Per cent	1·68	1·94	5·37	7·43	10·2	6·71	9·7	15·53	16·72	13·56	7·62	3·54	100·0
Total	15,680	17,660	51,680	72,280	92,600	57,920	84,340	155,720	176,440	137,680	71,860	29,600	963,460
Per cent	1·63	1·83	5·37	7·5	9·61	6·01	8·76	16·16	18·31	14·29	7·46	3·07	100·0

(1) Based in a five per cent sample.

SOURCE.—Report of the National Assistance Board for the year ended 31st December, 1948, p. 53.

9. Mr. Brown (May 8, page 483) asked if data were available on the amounts of income tax collected from different classifications or levels of income.

Answer

This information is contained in an article by Dudley Seers, entitled *Income Distribution in 1938 and 1947*, in the Bulletin of the Oxford University Institute of Statistics, September, 1949.

10. Mr. Ferrie (May 8, page 481) requested information on assistance payments to persons suffering from tuberculosis.

Answer

Needy persons suffering from tuberculosis of the respiratory system who have given up employment to undergo treatment, are eligible for assistance, together with their dependents.

DENMARK

11. Mr. Richard (April 27, page 252) requested information on the proportion of old age pensioners receiving deferred application supplements. It has not been possible to obtain this information.

12. Mr. Benidickson (April 27, page 253) requested information as to the amount of deferred application supplement payable, according to age at date of application.

Answer

ANNUAL AMOUNTS OF OLD AGE PENSIONS, BY AGE AT APPLICATION, MARITAL STATUS AND COST OF LIVING AREAS, 1948

Age at Application	Annual Amount, by Cost of Living Area		
	Copenhagen	Provincial Towns	Rural Districts
	Crowns	Crowns	Crowns
MARRIED COUPLE, both spouses eligible—			
(a) Basic Pension at Age 65, 66	2,496	2,196	1,848
(b) Supplement payable if pension deferred to age 67, 68, 69	125	110	92
(c) Supplement payable if pension deferred to age 70	250	220	185
SINGLE PERSON, or MARRIED COUPLE, one spouse eligible—			
(a) Basic Pension at Age 65, 66	1,668	1,464	1,236
(b) Supplement payable if pension deferred to age 67, 68, 69	83	73	62
(c) Supplement payable if pension deferred to age 70	167	146	124

13. Mr. Fleming and Mr. Knowles (April 27, page 258) requested information on the Danish Health Insurance System, including definitions of active and passive membership and the relationship between membership on the health insurance and old age pension schemes.

Answer

Two distinct types of health insurance organizations cover approximately 90 per cent of the total population. State approved and subsidized Sick Clubs

for persons with incomes below certain specified amounts in 1943 had about 3·5 million members or approximately 93 per cent of the insured population. State approved but non-subsidized Sick Benefit Societies, with a membership in 1943 of about 246,000 or 7 per cent of the insured population, offer membership to persons whose incomes are above the limits for Sick Club membership. In 1949 income limits were 8,300, 7,700 and 6,700 crowns respectively in Copenhagen, the provincial towns and the rural communes, with limits being adjusted upwards in relation to the number of children in the member's family.

Two kinds of membership are offered by both types of insurance organizations.

Active membership is on a voluntary basis and is available to all Danish citizens who meet specified health qualifications and who are between the ages of 14 and 60 years in the case of Sick Clubs, and 14 and 40 years in the case of Sick Benefit Societies. In the case of active membership in a Sick Club, an annual contribution, equal to two or three days wages of an unskilled worker (approximately 48 crowns—1948), is charged. The contribution rate for all adult members of a Club is the same, but rates vary as between organizations. No data is available on the contribution rate charged the active members of Sick Benefit Societies.

Passive membership, on the other hand, is compulsory for all Danish citizens between the ages of 21 and 60 years who are not active members of a Sick Club or Sick Benefit Society and who can meet certain liberal health qualifications. Passive membership does not provide health benefits but only the right to admission to active membership in either type of organization at any age and regardless of health condition. Passive members are required (1948) to pay a nominal fee amounting to 2·4 crowns annually.

Sick Clubs are financed by members' contributions and subsidized by the state; in 1944 the state subsidized these funds to the extent of about 22 per cent of their total annual revenue. Sick Benefit Societies are financed entirely by members' contributions.

Active or passive membership in the health insurance system is one of the necessary qualifications for coverage under either the invalidity or old age pension schemes.

14. Mr. Benidickson (April 27, page 258) requested information concerning other types of pension that might result in reduction of the basic old age pension. No information, additional to that already given, is available.

15. Mr. Shaw (April 27, page 259) requested more detailed information on citizenship and residence qualifications for old age pensions under the Danish program. Other than the fact that a person must be a Danish citizen resident in Denmark, no additional information is available.

UNITED STATES

16. Mr. Brooks (May 2, page 298) inquired as to the ages at which survivors' benefits are payable under the Railroad Retirement Act in the United States.

Answer

The Railroad Retirement Act provides survivors' benefits to the same classes of persons as the Old Age and Survivors program, namely to aged widows, widows with eligible children, children of deceased wage earners, and certain dependent parents.

Age qualifications are as follows:

(*a*) Aged Widows' Annuities—Payable at age 65 years and continuing until death or remarriage.

(*b*) Widowed Mothers' Annuities—Payable at any age, providing the widow has a child of the deceased in her care who is eligible for a child's annuity.

(*c*) Child's Annuities—Payable to the unmarried dependent child of a deceased worker up to the age of 18 years.

(*d*) Parents' Annuities—The (wholly dependent) parent of a deceased worker must be at least 65 years of age to qualify.

17. Mr. Knowles (May 2, page 298) requested data on the number of persons covered by or paying into the Railroad Retirement Act.

Answer

An estimated 2·3 million persons earned wage credits under the Railroad Retirement Act in the calendar year 1948. Railroad workers with fairly constant employment, (i.e. those who earned wage credits in each of six or more months in 1948), averaged about 1·7 million. An estimated 7·7 million living persons, not yet retired, had accumulated some wage credits under the Railroad Retirement Act between 1937 through 1948.

18. Mr. Knowles (May 2, page 298) asked for the number of persons in the United States Civilian labor force covered by or making contributions under the retirement provisions of OASI, the Railroad Retirement Act, or Federal state and local pension plans.

Answer

The following table provides approximate estimates on coverage, under present law, as of 1948 and 1951. The 1948 data is based on employment in an average work week; the 1951 figures are based on employment at any one time in June 1951. (It is estimated that about 3·5-3·8 million persons are in this type of employment in an average work week, but no data is available on what proportion of these persons are covered under state or local retirement schemes).

Item	1948		1951	
	Number Covered	Per cent of Employed Labour Force	Number Covered	Per cent of Employed Labour Force
	('000,000)		('000,000)	
1. OASI	35·3	59·4	35·0	54·8
2. Railroad Retirement	1·6	2·6	1·5	2·4
3. Federal civilian retirement systems	1·8	3·0	2·3	3·6
4. Total	38·7	65·0	38·8	60·8
5. Employed Labour Force	59·4	100·0	63·8	100·0

19. Mr. Brown (May 2, page 333) inquired as to which states used earmarked taxes, and more specifically sales taxes, to finance old age assistance.

Answer

The use of earmarked taxes to finance OAA has gradually decreased since 1939, due to a number of reasons, including the limitations placed on the amount

of revenue collected when programs are financed solely in this way, and the fact that tax revenues are often shared with other categorical assistance programs.

Fourteen states in the fiscal year 1947 (latest date available) used either earmarked revenues only or general funds and earmarked revenues to finance OAA. Of these states eleven used only earmarked funds; the following used the general sales tax and/or sales taxes on selected commodities and services: Colorado, Iowa, Kansas, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, Texas and Utah. One state, Nevada, used earmarked revenues other than sales taxes.

The remaining three states, Alabama, Connecticut and Florida used earmarked revenues in combination with general revenues to finance OAA. However, these did not include sales taxes, except in the case of Florida, which used a tax on pari-mutuels.

It is important to note that in the majority of the states using some earmarked revenues, such revenues were shared at least with other state public assistance programs.

20. Mr. Fleming (May 2, page 337) asked for data on the administrative costs of Old Age Assistance and Old Age and Survivors Insurance and their percentage relationship to payments.

Answer

The administrative costs of operating state OAA programs, excluding the costs of operation of the OAA program in the federal Bureau of Public Assistance, amounted to $66·6 million in the fiscal year 1948-49. This figure represented 5·3 per cent of assistance payments. OASI administrative costs during the same period amounted to $53 million or 8·7 per cent of benefit payments.

21. Mr. Fleming (May 2, page 386) asked how many members comprised the Committee on Ways and Means of the House of Representatives which reported out favorably on Bill H.R. 6000.

Answer

Twenty-five.

APPENDIX "E"

DISABILITY INSURANCE AND ASSISTANCE IN THE UNITED STATES, AS PROPOSED UNDER BILL H.R. 6000[1]

(Research Division, Department of National Health and Welfare, May, 1950)

INTRODUCTION

Since early 1948 both the United States Senate and House of Representatives have studied, through either Advisory or Standing Committees, the problem of meeting the income maintenance needs of disabled persons below the normal age of retirement. The latest bill, H.R. 6000, introduced to amend the Social Security Act, provides a two-fold approach to the problem of income maintenance for those persons under 65 years of age who are permanently and totally disabled. No provision is made for the dependents of disabled persons.

In keeping with the Social Security Act's dominant philosophy of contributory insurance against the risks of wage loss, H.R. 6000 would broaden the present retirement and survivors' benefits now available under Old Age and Survivors Insurance, to include disability benefits to wage earners and non-

[1] Information requested by Mr. Knowles, page 405, Minutes of Proceedings, Joint Committee of the Senate and the House of Commons on Old Age Security, April, 1950.

agricultural self-employed persons "who have been regular and recent members of the labour force and who can no longer continue gainful work". As a supportive and supplementary program to disability insurance benefits, the bill includes provision for grants-in-aid to the states for a fourth category of Public Assistance, to provide for disabled persons who require supplementary assistance or who are in need and ineligible for disability insurance benefits, by reason of employment in industries not covered by the bill, or through lack of insurance status.[1]

1. Proposed Disability Insurance Under The United States Old Age and Survivors Insurance Program

1. Coverage

The proposed bill would expand present coverage under OASI to include: urban self-employed persons, earning an annual net income of at least $400, other than certain professional classes; domestic workers in private homes, if the worker has been employed by one employer for at least 26 days in a calendar quarter and has received at least $25 in wages during that period; employees of non-profit institutions other than ministers and members of religious orders, and those earning less than $100 in a calendar quarter; certain federal civilian employees not now covered by a federal retirement law, nor in certain excepted classes of service; certain employees of state and local government under voluntary agreement with the federal government; certain workers employed in processing farm products; Americans employed by an American employer outside the United States, and other minor categories of workers (e.g. certain casual workers). This expansion of coverage would include an additional estimated 10·7 million persons (June 1951) in addition to an estimated 35 million in present covered employments at that time. About 71·6 per cent of the employed civilian labour force would then be covered for old age, survivors' and permanent disability benefits.[2]

2. Concept of Disability

An insured worker, to qualify for permanent and total disability benefits, must be unable to engage . . . "in any substantially gainful activity by reason of any medically demonstratable physical or mental impairment which is permanent."[3]

To meet this definition it would be necessary to show clearly through medical and other evidence that the worker was disabled not only for his customary work but for all types of work. "Conditions which usually respond to therapy and may normally be expected to result in recovery would be ruled out, unless there are circumstances in a particular case, such as advanced age of the claimant or history of previous episodes which would lead medical judgment to the conclusion that the condition is permanent".[2] Also a medical finding of blindness as defined by the bill, is sufficient proof that a claimant is disabled.

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[1] According to the *New York Times*, May 6th, the Senate Committee on Finance has recommended the removal of assistance payments to all permanent and totally disabled, under the Public Assistance proposals of the bill.

[2] The bill would exclude an estimated 18,000,000 or 28 per cent of the employed civilian labour force. The largest group excluded (June 1951) are persons engaged in agriculture whether as self-employed farm operators (5·0 million in an average work week), hired agricultural workers (about 2·2 million) and unpaid farm workers (2·6 million). Other large excluded groups are, federal civilian employees (2·3 million), the armed forces (1·5 million), railroad workers (1·5 million), and the professional self-employed (1·5 million). Certain other smaller groups including clergymen (·2 million), some domestic servants (·9 million), non-agricultural unpaid farmily workers (·4 million), complete the exclusions.

[3] Committee on Ways and Means, House of Representatives (81st Congress 1st Session), *Social Security Act Amendments of 1949, Report to Accompany H.R. 6000*, Washington: Government Printing Office, 1949, p. 107.

3. Benefits

Disability benefits will be computed in the same manner as old age benefits (as amended), with the amount of benefit computed as though the worker had attained age 65 years on the date he became disabled.

Benefit will be paid to the insured eligible disabled worker who meets the new "insurance status" requirements of H.R. 6000, after an initial waiting period of six consecutive calendar months of total disability following the month in which the disability is deemed to have occurred. Benefits will be paid retroactively for only three months following the above waiting period, but after 1952 a claimant may file an application up to 10 months after the waiting period.

(a) *Insured Status*

To be eligible for benefits, the worker must have 20 quarters of coverage within the 40-calendar quarter period, and 6 quarters of coverage within the 13-quarter period, ending with the quarter in which disablement occurs. The first requirement meets the provision that a disabled worker must have had a substantial attachment to the labour force and the second requirement that this attachment must be of recent duration.

(b) *Amount of Benefit*

The bill would provide a new method of computing a worker's average monthly wage and his benefit amount, as follows:

(i) *Average Monthly Wage*

Average monthly wage is determined by dividing total wage and self-employment income during "years of coverage",[1] (excluding excess over $3600 for any calendar year after 1949,) by 12 times the number of such years, or by the number 60, whichever is greater;

(ii) *Disability Benefit Amount*

For insured persons deemed disabled after June 30, 1950, a monthly benefit amount would be paid, equal to 50 per cent of the first $100 of average monthly wage, plus 10 per cent of the next $200, (this sum known as the base amount), multiplied by a number known as the "continuation factor" which indicates the proportion of the total years of an individual's employment after 1936 (or if more favourable—after 1949) which were spent in covered employment. In addition, there is added an increment equal to one-half per cent of the "base amount" for each year of coverage. If the total amount of benefit is less than $25 it is increased to $25.

(c) *Maximum-Minimum Disability Benefit*

Maximum. There is no legislative maximum set on a worker's monthly retirement or disability benefit but the wage base ($3600 per annum) and the benefit formula operate to effect a maximum limit for each worker as shown in Table I.

Minimum H.R. 6000 would increase the minimum primary benefit to a retired or disabled worker from the present sum of $10 to the proposed sum of $25.

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[1] A year of coverage is defined as a calendar year in which the worker has earned in covered employment at least $200 a year (for the years 1937-1949) and $400 a year for 1950 and thereafter. If the insured individual has fewer than five years of coverage, the average monthly wage will nevertheless be computed over a five year period.

(*d*) *Reduction of Disability Benefit*

Disability benefits would be suspended for any month in which:

(i) the beneficiary earns more than $50 or is credited with net earnings of a like amount from self-employment. Unlike the provisions OASI the employment limitation here would apply to non-covered as well as covered employment and self-employment;[1]

(ii) a person fails to submit himself for examination or re-examination to determine or re-determine (periodically) his entitlement to benefit, as under the regulatory provisions of the bill;

(iii) a person refuses to accept rehabilitation services without good cause;

(iv) a person is outside the United States and no adequate arrangements have been made for determining or re-determining the extent of his disability.

TABLE I

Proposed Monthly Disability Benefit, and Benefit as Percentage of Selected Average Monthly Wages, by Selected Years of Coverage

Average monthly wage	5 years of coverage		10 years of coverage		20 years of coverage		40 years of coverage	
	Benefit amount	Per cent of monthly wage	Benefit amount	Per cent of monthly wage	Benefit amount	Per cent of monthly wage	Benefit amount	Per cent of monthly wage
$	$	$	$	$	$	$	$	$
50	26	52·0	26	52·0	28	56·0	30	60·0
100	51	51·0	52	52·0	55	55·0	60	60·0
150	56	37·3	58	38·7	60	40·0	66	44·0
200	62	31·0	63	31·5	66	33·0	72	36·0
250	67	26·8	68	27·2	72	28·8	78	31·2
300 and over	72	24·0	74	24·7	77	25·7	84	28·0

Based on proposed amendments to the Social Security Act under H.R. 6000.

(*e*) *Adjustment of Duplicate Benefits*

If an individual is entitled to both disability insurance benefits and workmen's compensation, for the same period of time, his disability benefit will be reduce by an amount equal to one-half of whichever of the two benefits is the smaller.

(*f*) *Relation to Old Age and Survivors Benefits*

The first benefit payments are authorized as of January 1951, one year after the effective date provided in the bill for extension of coverage. A monthly disability benefit would continue until the beneficiary reaches age 65 at wich time he would automatically fall under the provisions of the bill which govern old age and survivors' benefits. At that time his eligible wife and dependent children would become entitled to benefits, and upon his death regular survivors' benefits would be paid to the family.[2]

[1] This employment limitation may be suspended or modified if in the judgment of the Federal Security Administrator it will aid in the process of rehabilitation, if such rehabilitation is being conducted under a State plan approved under the Vocational Rehabilitation Act.

[2] It should be noted that the bill does not take into consideration any periods in which a worker received disability benefits, in determining insured status for subsequent old age and survivors' insurance benefits; furthermore, there is no loss or reduction of these benefits because of years of disability which are not years of coverage.

4. Finance

(a) Contribution rate

The following proposed tax schedule is levied on the first \$3,600 per annum of an employees wages, and on the first \$3,600 of net earnings from self-employment. A pay roll tax, equal to the employee rate, will be paid by the employer. No tax is imposed on employers in non-profit organizations but the employer may elect to pay the employer's tax by waiving the organization's income tax exempt status. If the employer does not pay the tax, the employee receives credit for only 50 per cent of his taxed wages.

It will be noted that the rate for the self employed is 1½ times the tax rate for employees.

The provision in the present law providing for appropriations from general revenue, when required, would be repealed under H.R. 6000.

Calendar years	Tax rates		
	Employee	Employer	Self-employed
	Per cent	Per cent	Per cent
1950	1½	1½	2¼
1951–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and after	3¼	3¼	4⅞

(b) Cost of Disability Benefits

Old age and survivors insurance and total disability insurance will be financed as a single system. The Committee's preliminary estimates of the annual cost of the proposed disability benefits are given below together with the cost as percentages of estimated pay roll. The Committee recognized that long range costs are affected by many factors; furthermore costs expressed as dollar amounts are somewhat misleading as with extended coverage both the outgo and income of the system will be affected.

TABLE II

Estimated Cost of Disability Insurance Benefits and Cost as Percentage of Estimated Payroll, by Calendar Years, Under H.R. 6000

Calendar year	Total cost	Cost as a percentage of pay roll
	(Millions of \$)	
1950 1955	236	0·2
1960	480	0·4
1970	780	0·6
1980	810	0·6
1990	840	0·6
2000	870	0·6
Level-premium at 2 per cent interest	—	0·5

Source.—Committee on Ways and Means, *Report on H.R. 6000*, Tables 8 and 9, p. 35.

As shown in Table II the level premium cost of disability benefits, i.e. the contribution rate which, if charged from 1950 on, would meet the disability benefit cost in perpetuity, is calculated at 0·5 per cent of pay roll, based on a two per cent interest rate on reserves.

5. Administration

The administration of disability insurance benefits will be integrated into the present OASI program, and administered by the Bureau of Old Age and Survivors Insurance. Clerical and mechanical processing involved in disability claims are believed to be essentially the same as in the present old age and survivors insurance program. Provision is made for the periodic medical determination of individuals entitled to disability benefits. "Re-examination at regular intervals, such as six months or a year would be prescribed according to the judgment of physicians reviewing the case; in cases where recovery was obviously impossible, such as dismemberment, re-examination might be waived."[1] "A limited number of professional people would be required on the regular staff of the Bureau of Old Age and Survivors Insurance to make determinations of disability."[2]

The administrative costs of providing disability benefits including the costs of re-examination (physicians' fee when not employed by the United States government, travel and subsistence expenses of the beneficiary) would be payable out of the Old Age, Survivors and Disability Insurance Trust Fund, in the same manner as other administrative expenses of the program.

II. Proposed Aid to the Disabled Under State-Federal Program of Public Assistance

H.R. 6000, would include provision for grants-in-aid to the states for a fourth category of public assistance for permanently and totally disabled individuals under age 65 years who are in need, and who either cannot qualify for disability insurance benefits, or require supplementary aid. It has been estimated that some 200,000 totally disabled persons, on general assistance as of December, 1948 (financed solely by the states and localities), will gradually receive aid under this proposed state-federal grant-in-aid program; it is believed, however, that eventually, as the disability insurance program develops, the number of disabled requiring assistance should decrease.

No maximum is placed on individual payments under H.R. 6000, but the $50 federal participating maximum on individual payments, is retained. The federal share of state payments to disabled persons, would be calculated under the same formula as that proposed for other assistance categories, namely: four-fifths of the first $25 of the states' average monthly payment per recipient, plus one-half of the next $10, plus one-third of the remainder, within the individual federal maximum of $50.

Under the proposed amendment, the federal government would also participate in a state payment made directly to medical practitioners and other vendors of medical services, on behalf of a disabled person (as well as other categories of public assistance), which, when added to any monthly assistance payment does not exceed the federal participating maximum on individual payments. Federal participation in monthly payments to the disabled (and other categories) in state-approved public medical institutions, other than institutions for mental diseases and tuberculosis, is also authorized under the bill.

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[1] Report on H.R. 6000, op. cit., p. 106.

[2] Op. cit., p. 28.

1. Cost

The estimated annual cost to the federal government of this program is said to be approximately $66 million.

2. Administration

The proposed aid to the disabled would be administered under the same federal administration requirements as would apply in case of the other state-federal programs of categorical assistance. However, the federal limitations regarding state residence requirements has been further liberalized. Under H.R. 6000, no state plan for aid to the permanently and totally disabled would be permitted to contain a residence requirement of more than one continuous year immediately preceding the application for aid.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 30

FRIDAY, JUNE 2

WITNESS:

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950

63822—1

MINUTES OF PROCEEDINGS

FRIDAY, June 2, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11:30 a.m. Honourable Senator J. H. King, and Mr. Jean Lesage, M.P., Joint Chairmen, were present.

Others present:

The Senate: Messrs. Burke, Horner.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Brown (*Essex West*), Corry, Cote (*Verdun La Salle*), Fleming, Knowles, Laing, Noseworthy, Smith (*Queens-Shelburne*), Weaver, Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, Mr. J. W. Willard, Director of Research and Mr. J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare.

The Chairman tabled a memorandum entitled "Disability Insurance and Assistance in the United States as proposed under Bill H. R. 6000". It was ordered that this memorandum be printed as an appendix to the Minutes of Proceedings and Evidence of the previous sitting with the other memoranda tabled at that time. (*See Appendix "E" in Proceedings of Thursday, June 1*).

It was also ordered that a brief received from Dr. Leonard March, Professor of Social Work, University of British Columbia, Vancouver, be incorporated as an appendix to this day's Minutes of Proceedings and Evidence, and that copies of the brief be distributed to Members of the Committee. (*See Appendix "A"*).

The following documents which were tabled at the sitting of June 5 also appear in appendix to this day's Proceedings, viz:—

1. Letter from the Minister of Health and Welfare, Province of British Columbia, and attached Resolution concerning National Contributory Pensions. (*See Appendix "B"*).

2. Statement from Research Division, Department of National Health and Welfare, entitled "Summary of the Minority Reports of the House Committee on Ways and Means on certain provisions of H. R. 6000". (*See Appendix "C"*).

Dr. Davidson was recalled and further examined. He was assisted by Mr. Willard.

In the course of his examination, Dr. Davidson answered questions on the matters referred to in newspaper reports quoted during the Committee's sitting of June 1.

At the conclusion of Dr. Davidson's examination, which also closed the Committee's public hearings, the active Chairman, Mr. Lesage, expressed the Committee's gratitude for the assistance received from Departmental Officials and their aides, the Clerk and official Reporters, representatives of organizations and others who had given evidence, and Associations or individuals whose written submissions would be of great benefit to the Committee in its deliberations. He also thanked the Members for their co-operation.

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Hon. Senator King, co-chairman, joined with Mr. Lesage in this expression of appreciation, and complimented him on the very able manner in which he had directed the Committee's proceedings.

Following a brief sitting *in camera* the Committee adjourned to meet again *in camera* on Monday, June 5, at 4.00 p.m., for consideration of its Report.

R. ARSENAULT,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FRIDAY, June 2, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.30 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairman) were present. Mr. J. Lesage presided.

The CHAIRMAN: Gentlemen, we have a quorum. This is our last public sitting and Dr. Davidson is here to give any information that may be asked for by members of the committee.

Dr. G. F. Davidson, Deputy Minister of Welfare, called:

The CHAIRMAN: Have you anything special to add, Dr. Davidson?

The WITNESS: No, sir, but there were a number of things to come up this morning, two of which relate to questions that Mr. Fleming has raised from time to time and one of which relates to a question which you have in mind yourself.

There is one other thing, I should report to the committee: the memorandum from Dr. Leonard Marsh of Vancouver arrived on my desk yesterday afternoon. It is being mimeographed today and I would suggest that, if the committee wishes, instructions be given to have it printed as an appendix in today's proceedings. Distribution of the mimeographed document will take place today.

The CHAIRMAN: It will go into the folder with the other briefs.

Hon. Mr. HORNER: Is this the Dr. Marsh who was formerly with McGill University?

The WITNESS: That is correct, Senator.

The CHAIRMAN: We have, from the Research Division of the Department of National Health and Welfare, a memorandum on the question of requests for information from members of the committee. It is entitled Disability Insurance and Assistance in the United States, as Proposed under Bill H. R. 6000. I suggest that it go as a fifth appendix to yesterday's evidence which has not yet gone to the printer?

Agreed.

The WITNESS: It might be of interest to the committee to note in that connection that the Senate Committee on Finance, in its report rejected the disability insurance provisions that were contained in the House report and the bill itself; and it is still uncertain and it will continue to be uncertain until the joint conference of the House and Senate resolves their difficulties—whether or not disability insurance will find its place in the old age and survivors insurance legislation of the United States.

Mr. LAING: What was the nature of the criticism, Doctor? Was it on the basis of acting too quickly or inadequacy?

The WITNESS: I think it was due to the conviction of the Senate members, based on the testimony that was brought before them, that the problem of disability insurance was one of the most difficult ones to deal with from an administrative point of view. There was also some feeling that this was in the nature of an entering wedge for health insurance or state medicine which was opposed in some quarters in the United States.

The CHAIRMAN: Has any member any question to ask Dr. Davidson on any subject?

Mr. BENIDICKSON: I note that you say "on any subject." I understand that yesterday the committee dealt with a question of the Ontario regulations and I am not going into that although I was unavoidably absent.

The CHAIRMAN: Mr. Benidickson, I promised Mr. Fleming that I would arrange time for questions on the point that was raised yesterday and, also, I promised him just before we met this morning that we would wait until he came in at 12 o'clock to deal with this further matter.

Mr. BENIDICKSON: I was going to point out, apart from what was discussed yesterday, the C.B.C. news this morning, and I think I am quoting fairly accurately, said that Ontario was being discriminated against in the matter of the application of the regulations.

The CHAIRMAN: That is exactly the point.

Mr. KNOWLES: It is another matter.

The CHAIRMAN: Well, Mr. Fleming talked to me about both cases. You are talking about the mental patients. Mr. Fleming talked to me this morning and asked if we would wait until 12 o'clock, and I said that I would.

Mr. BROWN: It is not a matter that Mr. Fleming brought up yesterday.

The CHAIRMAN: No, but just the same, we talked together on it this morning and both matters are to be raised.

Mr. BROWN: It is an understanding between yourself and Mr. Fleming which we are quite willing to honour.

The CHAIRMAN: Well, would you then answer the question I asked about family allowances, Dr. Davidson?

The WITNESS: Mr. Chairman, I might set forth first of all my understanding of the question which you put to me and which I believe you put to me privately rather than in the committee.

It was your desire that I should try and bring together some evidence to show the extent to which over-all expenditures on family allowances go directly into the stream of consumer purchasing power. It was also your wish that I try to translate that into terms that might be applicable to present old age pension expenditures, and to any old age pension expenditures which might be made under any new set of proposals.

The CHAIRMAN: Exactly.

The WITNESS: First of all, I would like to recall a statement that was made by Dr. Whitton in her testimony when she touched on this point. She expressed the opinion, which my evidence will support, that it can be taken for granted in any conceivable system of old age security of the kind we contemplate where payments are at or near subsistence level, the bulk of the money spent on old age security of that kind will go very directly into the stream of consumer purchasing power.

I will say a word first with respect to family allowances; then I will try to relate what I give you on family allowances to the old age security picture. First of all, I would draw to the attention of members again a document that was referred to by Dr. Eugene Forsey, of the Canadian Congress of Labour, when he was giving testimony before the committee. He referred to a paper given by Mr. Robert Beattie, Director of Research of the Bank of Canada in the Canadian Journal of Economics and Political Science of October 1944—in advance of family allowances—in which Mr. Beattie discussed from the point of view of the economist the economic effects of family allowances in terms of promoting purchasing power, and beyond that, promoting sales, production, employment, and so on.

Without going into detail, I think that members would find the document interesting to read. Mr. Beattie's conclusions, were, as I recall them, that in terms of quick, immediate, and direct results that you may want to achieve, a program of transfer payments such as family allowances and universal old age security payments is about the most direct and effective way to get money into the purchasing stream and to ensure that it will be spent on the consumer level for consumer goods. That is about as good a device as any that can be considered. That was the theoretical approach taken prior to the advent of family allowances. Of course the question arises as to what extent our experience with family allowances has been borne out. Now, that is most difficult to answer in any precise terms, because we do not pay family allowance moneys out to people of Canada in any different shape of dollars or different colour of dollars than the dollars that come from wage cheques or dividends or what not. Therefore it is impossible beyond a certain point to distinguish expenditures that are made because of family allowances from expenditures made from wages or any other source of income. It is just not realistic in my opinion that we should be able to identify on the shelves of stores or elsewhere what was bought with family allowance dollars or with dollars from some other source. The family allowance cheque may be put in the bank and $5 taken out of the wage cheque to buy something for the young child. Family allowance cheques may be used to buy the wife's hat because she has that particular cheque in her pocket, and then she may go to the next store and buy baby food or a dress for her young girl or something for her young boy out of the wage cheque.

Now, it is to me not reasonable to say that under such circumstances the family allowance cheque is being spent either wrongly or that it is being spent for a purpose other than that for which it was intended. Once the family allowance cheque gets into the pocket book of the housewife it is to all intents and purposes indistinguishable in most cases from other sources of family income.

By Mr. Brown:

Q. Can you go into the question of how family allowance cheques are used for children because the children are required to attend school?—A. The point is that the family allowance cheque does result in additional benefits for the children. But I think it is not realistic for us to expect every family allowance cheque to be put on a separate shelf or managed in a separate set of books or spent only for articles that can be identified with the children in the family.

Q. If you had travelled in some of the remote parts of the country you would see how it actually has affected the children.

Hon. Mr. HORNER: You would not think it had anything to do with the increase in the sale of liquor and cigarettes?

The CHAIRMAN: May I suggest that Dr. Davidson finish his statement and then questions may be asked.

The WITNESS: Now, we have from time to time tried to make or arrange indirectly for the conducting of small studies and surveys in order to find out roughly the kind of things for which family allowances are spent. The committee may be interested to know there is one of thes surveys in print, in the form of a document called, "Changes in farm family living in three areas of the prairie provinces from 1943 to 1947". This was published by the Department of Agriculture in February, 1949, and was a study made of three areas of the prairie provinces in co-operation with our own department and the Universities of Alberta and Saskatchewan.

The particular significance of this study was that we were trying in this survey to make a "before and after" study of family purchasing patterns in these rural areas. The Department of Agriculture in 1942 and 1943 had already

made a study of family living expenditures in these areas; and after the family allowance program came into effect we thought it appropriate to go back to these areas and see if we could get a revised picture of family spending patterns based on the increased incomes due to family allowance payments. Similar attempts have been made in a series of studies, but only one is in published form at the present time. Through the universities, schools of social work, the Department of Agriculture and other channels, we have accumulated a total of eight or nine small studies to date covering sample groups of population both in rural and urban areas.

These surveys were made in Nova Scotia and New Brunswick combined, Montreal, west central Alberta, northern Saskatchewan, west central Saskatchewan, southeast Saskatchewan, the Gaspe area of Quebec, Lanark county in Ontario, and Nicolet county in Quebec. The total families covered in these small surveys was 662 altogether. There were small groups of 50 to 100 in each small study, covering about 2,000 children.

Now, the significant thing, to my mind, in these studies is that it shows a very heavy weighting of family allowance expenditures as reported by families on articles of immediate consumer significance. The first item, not only in total for all surveys, but the first item, consistently, in every one of these nine surveys is the item of clothing. Without exception in the vast majority of families, in each of these surveys covered, reported that they spent part or all of their family allowances on clothing needs. More emphasis was placed on clothing than any other item, including food In total, between 80 and 85 per cent of all families covered in these surveys reported they spent part or all of their allowance on clothing for their children.

Again, without exception, every one of the nine surveys was consistent in reporting that the second major item on which families reported they spent their family allowance cheque was the item of food. That is interesting because it covers both the rural and urban areas. It is significant that not only in terms of the nine surveys combined but in terms of each separate one taken, the second item reported is the item of food.

It is only in regard to the remaining items you have any scattering, any differentiation between the various individual surveys. The item of health and medical expenditures ranked third in four of the nine surveys, but in the other surveys it ranked from fourth position to sixth position.

The item of education ranked fourth over all, but there was a scattering there, it ranking as high as third in two of the surveys but ranking as low as seventh in other surveys.

Recreation expenditures, including money given by parents to their children for spending money, has a relatively low rating all across the board.

I think the significance of that is that recreation is an item on which the family makes an expenditure only when it has met adequately all its more immediate and pressing needs. Therefore, it would be expected in rural areas, in low income areas, and in the low income sectors of population that the expenditures on recreation would be relatively low. The surveys have included in this item not only recreation expenditures but also spending money that parents give from their family allowances to their children, because that is considered indirectly a recreation expenditure. That item is third in southeastern Saskatchewan and sixth and seventh in most of the other areas.

Then there is savings and insurance and this is a significant item. This ranks third when you take the nine surveys together. It ranges from a high of third to a low of seventh place. It covers both savings and insurance. All surveys combined show that about 25 per cent of the families surveyed reported that they saved some of their family allowance money in bonds, bank accounts or insurance

for their children. When you examine the survey reports more closely you find however that in most cases the amount of family allowance that is saved is a relatively small proportion of the family allowance payment.

Therefore this 25 per cent of the families represents a group who spend their family allowance money largely on consumer needs, but do find it possible to set aside a portion of family allowances either in terms of savings or insurance policies.

I think I have given you enough of the picture there to show you that the predominant weight of emphasis in terms of family allowance expenditures is on the items we would expect, because they are clothing, food, health and medical expenditures, education, recreation and spending money for children, in that order, with savings and insurance coming about half-way down that list.

Now, what is the significance, if any, of indications of that kind in terms of old age pensions? I think the significance is reasonably clear. Transfer payments of the type of old age pensions at the present time, or old age pensions under any system such as we have been considering, will produce immediate consumer purchasing power to the same extent as family allowance expenditures. In fact I would venture to say that a larger percentage of old age pensions' expenditure would go directly into the consumer purchasing stream than is the case with family allowances. My reason for saying that is based on a number of considerations. Mr. Sharp has indicated to us that the amount likely to be recaptured through income tax from any conceivable system of old age pensions is considerably smaller than the amount which is recaptured from family allowances. He also brought out the fact that there is a very small number of persons in the upper age brackets who are in the income tax groups. That, by inference at least, justifies the conclusion that a very substantial proportion of the total of old age pension expenditures is now, or under any conceivable plan in the future, going directly into the purchase of immediate consumer needs such as food, clothing, shelter and so on.

Mr. KNOWLES: I wonder if I might, on a point of privilege, refer to a letter which I have before me from Miss Ethel Baker, the secretary-treasurer of the Calgary branch of the Alberta Old Age Pensioners' Society. This is one of a number of letters I have had from Miss Baker, and I think the other members of the committee have also had them. I felt it fair to this branch that I should say they feel a bit badly because of the fact they had not submitted a brief. The reason they did not do so was due to the fact they were caught by shortness of time and then felt it was not necessary to submit a brief. They feel badly now because they have heard that quite a few smaller organizations have submitted briefs. I would judge from the comments in Miss Baker's letter that their only concern is that some people may think they have not been on the job. They recognize all the points they would want to make have been presented but I thought it would be fair to them to have this notation made. I may say in this letter Miss Baker answers Mr. Fleming's oft repeated question as to priorities; her branch says they think the means test should go first; second, the age should be lowered and third, something should be done as to the amount. The letter I have is signed by Miss Ethel Baker, secretary-treasurer of the Calgary branch, Old Age Pensioners' Society.

The CHAIRMAN: Dr. Davidson, you had given two reasons in connection with Mr. Sharp's data.

The WITNESS: I think that is probably as far as I can go, Mr. Chairman. I would not like to put a precise dollar figure or a percentage figure on any given amount that might be spent for old age pensions, but I think the indication from our family allowance experience and indeed our general knowledge of the status of the old age group, certainly the lowest segment of that group, justifies the conclusion that the bulk of present expenditures of the old age

pensions, the vast bulk of present expenditures, and the vast bulk of any new expenditures would go directly into the purchase of consumer goods immediately.

I think that is about all I can say.

The CHAIRMAN: And I am satisfied with the answer. It answers the point that I had in mind.

Any questions of Dr. Davidson? Senator Horner, you had something to ask Dr. Davidson?

Hon. Mr. HORNER: I was going to remark we learned all this from Mr. Aberhart many years ago. This is a social credit principle. Would you recommend that they be paid twice as much so that there would be twice as much spent, twice as much in circulation as there is now? Is there any limit as to how high it should go?

The WITNESS: I think, Senator Horner, the limits to which the government should go, or parliament should go in making payments of these kinds, are limits which have to be determined by parliament itself in the light of the collective point of view of all members of parliament as to how far it is proper to go. That is a policy decision which clearly falls on the shoulders of parliament. It is not, and would not be proper for me to discuss it.

Hon. Mr. HORNER: But according to your recommendations—

The CHAIRMAN: I do not believe that Dr. Davidson made any recommendations.

Mr. BROWN: Is it not a good thing to have more money in circulation?

The CHAIRMAN: Do not start on economics, gentlemen.

Mr. BROWN: I am just asking Senator Horner that.

Mr. LAING: Nothing that Dr. Davidson said would indicate that if twice as much were paid it would be good for the country.

Mr. SMITH: Mr. Chairman, would this be the point at which Mr. Benidickson should bring up the question he was going to bring up?

The CHAIRMAN: Yes, it is the same with Mr. Fleming. Yesterday, Mr. Fleming wanted to ask questions.

Mr. SMITH: Mr. Benidickson's subject was somewhat different.

The CHAIRMAN: Let us clear the one of yesterday and then the one of today.

Mr. FLEMING: Thank you, Mr. Chairman.

By Mr. Fleming:

Q. Dr. Davidson, referring to your statement yesterday and the newspaper article which gave rise to it, I wonder if you would clarify several factors. There was an Ontario directive dated January 1, 1950, to which you referred yesterday which in effect brought into operation a different basis for reckoning the rent value of homes owned by the pensioners in Ontario.

Now, your department was acquainted with the method in effect up to January 1, 1950.—A. That is correct.

Q. Was that method in your department in keeping with the federal regulations?—A. That method, Mr. Fleming, was not in any technical sense a violation of the federal regulations.

Q. 11(*a*) and 11(*b*)?—A. Yes, it was not a legal violation of the federal regulations but it had the effect if I may say so, in our opinion, at least, of largely nullifying the federal regulations because it was, in effect, a system of calculating income which reduced the income value of the property to the vanishing point so that in a substantial number of cases the amount of income from that property was finally arrived at as nil. In that connection you may recall that you yourself posed a theoretical question to me at one stage in

the earlier proceedings. You asked what we would do if a provincial authority decided that it was going to devise an artificial way of income calculation which would in effect reduce the property valuation to $1, and I said at that time, and I confess to you that I was not aware of this situation at that time—

Q. Neither was I when I asked the question.—A. I said to you at that time that we would certainly have to take a look at that and get some direction on it. Now, I think the situation you visualized then was in effect the same as the situation we have presented to us here. It was our point of view right along that as long as that regulation was there, it was proper for the province to exercise a considerable degree of latitude in devising its own method of applying that regulation. It did not however seem to us to be justifiable or reasonable, for a method to be devised which had the effect of nullifying that regulation to the point that it might as well not be there. In other words, as long as the regulation was there it was our feeling that some more reasonable device or formula should be used by the Ontario provincial authorities in order to give some effect and some meaning to the regulation that was in existence. And it was when we found in going over a number of their cases, that the regulation was in effect being nullified by this particular device of income calculation, that we took those cases up with the Ontario authorities and said we thought this was out of line, that it created difficulties vis-a-vis other provinces and suggested to them that something in the way of revision should be undertaken.

Q. When was that done, the taking up of the subject with the Ontario authorities?—A. I cannot give you a precise date on that but I can say this that our examiners went into Ontario some time during the summer of 1949. The *Globe and Mail* report yesterday indicated that that was on June 13. That may be the date, I am not in a position to say whether it was or not. Our examiners in the course of their examination over a period of months accumulated a number of these cases, brought them to Mr. MacFarlane's attention, and Mr. MacFarlane discussed them on the phone with Mr. Asbury. In November of 1949, Mr. MacFarlane—not specifically for this point, but because he had been asked by Ontario for some time to visit the old age pension office there—went down and discussed this and a variety of other questions with Mr. Asbury. That discussion took place in November of 1949 and I have no doubt that it was as a result of that discussion that the new directive of the Ontario government was promulgated as from January 1, 1950.

Q. Are you satisfied the basis for calculating the rental value of the home. namely 4 per cent of the assessed value of the home, is in accord with regulations 11 (*a*) and 11 (*b*)?—A. Yes, sir.

Q. You are satisfied with the present method?—A. Let me make it clear that I am satisfied that the regulation laid down in the new directive is in accordance with regulation 11 (*a*) and 11 (*b*).

Q. That is what I understood you to say.—A. The second part of your question was whether I was satisfied with the regulation.

Q. No, I mean to ask whether you are satisfied that it is in accord with regulations 11 (*a*) and 11 (*b*)?—A. That is right.

Q. Now in regard to the previous formula in effect in Ontario, do I understand the position taken by your department now is that the basis violated regulation 11 (*a*) and 11 (*b*)?—A. Technically, no.

Q. Have you refused to settle claims that were based on the formula applied in Ontario after January 1, 1950?—A. Not to my knowledge. I would have to ask Mr. MacFarlane but he says to me, by nodding his head, "no."

Q. Do I take it the subject is still open to be negotiated now, or that the federal government has settled claims on this basis and accepted them?—A. As far as Mr. MacFarlane and I know, no claims have been refused under the old regulation. Claims that were paid on the basis of the old directive have been paid without objection on our part; but we simply pointed out to the

Ontario authorities that in our opinion this particular interpretation of the regulation made the regulation in effect meaningless. It nullifies the obvious intent of the regulation which was that there should be some income deduction made for ownership of property. If Ontario were to continue with that directive in effect we would have no justification for saying to other provinces that they could not go equally far with Ontario in nullifying the regulation.

At that point we felt that we should draw the matter to Ontario's attention and express the view that it was not reasonable to write a regulation and then adopt a formula that would completely nullify its effect. After discussion with the Ontario authorities and I do not think it is unfair to say this, the Ontario authorities finally came to the conclusion that they agreed with us and that they should do something about it.

Q. I do not know anything more about this than what I have read.

Mr. Brown: What newspaper were you reading from?

Mr. Fleming: The Globe and Mail.

Mr. Noseworthy: The Canadian national newspaper.

By Mr. Fleming:

Q. Are you quite satisfied that your department or any of its officials did not go any farther than you have now indicated? You made it quite clear yesterday that there was no order given as was suggested in the newspaper article, but in between those two positions there may be quite a field for pressure of one kind or another? In fairness to all concerned, I want to get as close to this as I can. Are you satisfied that your officials did not go any further in the way of applying pressure than you have indicated?—A. I have questioned Mr. MacFarlane—in whom I have complete confidence—

Mr. Laing: May I just ask there—

The Witness: May I finish. I have asked questions of this kind: "What would be the correct expression for me to use in describing your discussions with Mr. Asbury? Would it be suggestion; would it be request; would it be argument; would it be protest; would it be demand, or order?"

Mr. Knowles: It sounds like a committee on external affairs.

The Witness: I asked where along the line it would be honest to say that the word reflected the nature of the discussion. I honestly believe that is about as fair a way to get an honest man's opinion of a secondhand conversation. That is about as far as you can go. Mr. MacFarlane said he thought somewhere between the word argument and protest would be about the correct way of putting it. He discussed the matter with Mr. Asbury and Mr. Asbury argued for awhile in defence of the regulation as it then existed—

Mr. Brown: The word should be "reason"?

The Witness: That expresses it exactly. I had not thought of that. Mr. MacFarlane at no time he tells me, suggested that we would have to refuse accounts or give any sort of order or directive, or threatened that we would cut off Ontario. He simply brought the cases forward and said that it was not working out the way we thought it should. I can assure you too there were not 7,000 cases—sample cases on which we did discuss this matter. Perhaps 200 would represent the samples provided by our examiners to Mr. MacFarlane as a basis for discussion with Mr. Asbury. After Mr. MacFarlane had put these one by one and indicated our point of view, Mr. Asbury finally agreed to Mr. MarFarlane's statement and said that he saw our point of view, that he thought we were right, and that they would have to make some change in the directive.

Mr. Fleming: I have just two or three more questions. The Ontario government having changed its directive into a formula that now satisfies your

department that it is in accordance with regulations 11 (a) and 11 (b), is it the intention of your department to allow those cases that were dealt with under the former formula to remain closed or are you insisting on revising them? Or has any decision been reached upon those under the old regulation up to December 31, 1949?

The WITNESS: So far as I know there is no question of going back on the old cases. In fact, the procedure which has been established by the Ontario authorities themselves,—and I had a copy of their directive here yesterday but I have not it with me today,—supports that view by saying as from the 1st of January new cases coming on pension for the first time will be dealt with in this new way, and as existing cases are reviewed from month to month in the course of the year recalculation will be made on the new basis where recalculations are called for. That means some were made in January, February, and March; and some will probably not be made until October, November or December. I must confess that I do not understand why nothing was heard of the adjustments which were made under this new directive during the months of January to April, in contrast to the cases which have apparently been reviewed and adjusted in May. But as far as we are concerned we are not raising any question on the procedure adopted. It is a directive which the Ontario authorities have issued and the effect of the directive in some of the cases will be to continue them for a few months longer on the old basis until such time as they come up for annual review.

Mr. KNOWLES: Unless we cut the means test out in the meantime.

The WITNESS: At the point of annual review a new calculation will be made and the adjustment if any will be made in the particular case.

Mr. FLEMING: The federal department is satisfied with that.

The WITNESS: Yes.

The CHAIRMAN: I believe that should conclude this part of the questioning.

Mr. FLEMING: It does; that was my last question.

The CHAIRMAN: That is very good; I agree with you there.

Mr. KNOWLES: I notice that Mr. Fleming was referring to both 11(a) and 11(b). Was 11(b) involved? 11(b) covers personal property?

The WITNESS: 11(b) was referred to in the press story. I would like to say, if I may, that from our department's point of view we have never said and we do not now say what the story says,—that the Ontario authorities at one time were refusing to apply or refraining from applying regulations 11(a) and 11(b). Our view is that the Ontario authorities have consistently been applying regulations 11(a) and 11(b), as it is in fact their duty to apply them under the terms of their agreement with us. They have abided by them. The only question that arose between us was the manner in which they were applying the regulation. We took the initiative, I will go that far, in saying that in our opinion they should modify the way in which they were applying 11(a) and 11(b). Having taken that initiative and having persuaded them that they should modify their directive, the initiative then passed from our hands and the decision as to the form of the new directive was taken entirely on the responsibility of the Ontario authorities themselves. They did not ask for our approval of the text of their new directive, and in fact there was no occasion for them to do so. I did not myself see a copy of this new directive until April of this year. Mr. MacFarlane did not receive a copy until the month of March, although Mr. Asbury had outlined its general features to him earlier on the phone.

Mr. BENIDICKSON: I was making a reference earlier, before Mr. Fleming came in, to a news item on the C.B.C. this morning, and it has now been pointed out to me that it is in the morning press. It is to the effect that the province of Ontario has registered a protest because it alleges that the dominion government has enforced a new policy which cuts off their old age pension entitlement for

persons who are in provincial mental institutions—I take it on the grounds that they should be public welfare charges, and therefore solely a matter of provincial administrative responsibility. I am not raising the question on those facts alone, but the news item went further and said that the province of Ontario was charging this as a discriminatory attitude in that the dominion government had not taken the same attitude to the same circumstances in two other provinces, one of which was British Columbia and the name of the other province escapes me.

The WITNESS: I think it is perhaps important to put the name of the other province on the record, because the other province was the province of Quebec.

If I may say so, I have changed my morning routine. Now, instead of reading my morning mail first when I get to the office, I read the *Globe and Mail* to find out what is happening on the provincial level about old age pensions.

Mr. KNOWLES: To find out what we are going to do today?

The WITNESS: I find that I can get more information as to the views of the Ontario Old Age Pension Commission by doing that than I can by reading my morning mail. However, I would like to point out on this question as on the other question, there has been to my knowledge at no level, ministerial, deputy ministerial, or otherwise, any letter of protest, any letter expressing disagreement with the regulation which has been in effect, not since 1948, but since 1931.

This regulation was passed in 1931 at the time the percentage of the sharing of costs was changed from 50/50 to 75/25. At that time a new regulation was put is designed to insure that aged people in mental hospitals—people who were considered to be the responsibility of the provincial authorities as mental cases and were therefore regarded as cases which were not appropriate for assistance under the Old Age Pension Act—should be eliminated from the old age pension rolls.

Rightly or wrongly it was felt by the administration at that time that the only effect of allowing provinces to put all their mental cases on to the old age pension rolls would be to shift the burden of hospitalization of mental cases from the provincial treasury to the federal treasury to the extent of 75 per cent.

A regulation was drafted at that time which read and still reads as follows: "Payment of a pension shall be suspended during the confinement of the pensioner as a public charge in any public mental institution."

I draw your attention incidentally to the fact that this is quite a common feature in the systems of other countries which we have studied. You will remember that in the United States it goes even farther than that. It has been in effect in Canada since 1931. This question came up for review as I recall at the proceedings of the interprovincial old age pension board as long ago as 1937, and one of the provinces began to protest about this regulation. However, when the province was reminded that this was part of what was a gentleman's agreement—a sort of quid pro quo for the 75/25 agreement—the provincial government representative concerned—a cabinet minister—said that in that case he thought they should not pursue the discussion farther; that if the agreement was made on the basis of this regulation they should stand by it.

I mention that as background only. This regulation was applied consistently up until recent years in the sense of excluding all mental pensioners in public institutions. Then a few years ago some provinces began to look at this and see the words: "as a public charge". It began to appear that this regulation was not as restrictive as it had originally been thought to be. This regulation does not in fact exclude all mental hospital patients from old age pension benefits. Because of its rather peculiar wording it excludes from old age pension only patients in public institutions who are there as public charges and we have had the difficult task of trying to decide under what circumstances a patient is a public charge in a mental institution. We have also had a number of other difficulties, but I would like to say most sincerely, categorically and directly,

that in my opinion no discrimination of any kind is being practised against any province in respect of old age pensions. In the case of British Columbia they set up by separate legislation as long ago as 1937 or so what they called a Home for the Aged Act and they took out of their mental hospitals a number of aged persons who were in these hospitals as mental patients, but who, in the opinion of the British Columbia authorities, were not mental, they were simply senile and required custodial care. They were discharged as not being mental cases and under the new legislation they were admitted to a separate institution under a separate law not as mental patients but as senile patients requiring custodial care. This is not a new situation in British Columbia. It is at least 12 to 13 years old.

We had to decide if those cases were in mental institutions, and we had to accept the fact that under the law of the province these Homes for the Aged were not mental institutions and we could not so interpret them under the regulations. A similar situation developed in the province of Quebec, but it is much more complicated there because the institutions are private institutions recognized by the Quebec Public Charities Act for grant purposes; but to all intents and purposes they are public mental institutions for the province of Quebec. They are the nearest counterpart to public mental institutions there. In Quebec they have followed a practice of setting aside a separate wing of a general institution for this same purpose, and we are frankly engaged in discussions with Quebec constantly as to where the dividing line is and at what point it can be applied.

In Ontario, as this article in the *Globe and Mail* points out, the provincial authorities have taken the view that if they can arrange for someone on behalf of the patient, or if the patient himself or the public trustee on behalf of the patient, can pay a minimum rate of $1.50 a week for the patient's care, that constitutes an exemption from the application of this section where the words "public charge" are used. I think the members can see the difficulty with this kind of regulation. We think we are right, that the better way, the more accurate way of determining whether a patient is a public charge or not, in part or in whole, is to decide whether or not that patient's actual maintenance costs are being borne by the public treasury of the province or municipality.

Mr. LAING: There is nothing about being discharged as cured in this case?

The WITNESS: No. We have taken the view an old age pensioner in a mental hospital, and on whose behalf $1.50 per week is being paid from the outside, is not paying his way in that hospital and he is in there at least partly as a public charge. We have said therefore we could not accept these cases as being eligible for old age pensions under the regulations as they stand at the present time. I am not defending the regulations, I am simply pointing out the fact that the regulations are there and our interpretation is based on that.

This newspaper story goes on to say, in addition to the charge of discrimination, that the federal government has been paying for some of these cases and that now the provincial government stands to lose $750,000 to $1 million annually, which is the approximate amount the federal government has been paying for mental patients in Ontario institutions. It states these patients have had their pensions taken away from them. I can only say this is the first knowledge I have had that there are any pensioners on our rolls from Ontario mental hospitals who should not be there, and it is the first knowledge I have had that 1,500 to 1,800 pensioners have been or are about to be cut off for this or any other reason. I can only hope that the facts as given in this story will be reported to me or to the federal government at some official level in a letter from either Mr. Asbury, the director of old age pensions for the province, or someone else from the provincial government.

The facts as given in this story about 1,500 to 1,800 pensioners having been cut off have never been brought to the attention of anyone in our department so far as I am aware.

I would like to say one final word—there is a reference made in this news story to the fact that the Department of Justice had ruled that mental patients are public charges and hence could not receive the pension. That is not accurate. The Department of Justice has not ruled that pensioners are public charges, the regulation speaks for itself. The Department of Justice ruling which we have received recently has the effect of lessening the area of operation of this particular regulation rather than enlarging it. The Department of Justice has pointed out in its ruling to us that first of all a patient who is not in a mental institution as a public charge is not debarred from pension by this regulation. If he is in there at his own expense or his family's expense he is not debarred from the old age pension by this regulation. Furthermore, in answer to a further inquiry from us the Department of Justice has given us, even more recently, an opinion that an old age pensioner who is on old age pension, and who then goes into a mental institution, and on whose behalf the old age pension is used to maintain him in that institution, is not in all cases a public charge.

The receipt of an old age pension does not of itself constitute a public charge as defined in this particular regulation.

I think it will be seen that the Department of Justice ruling far from restricting has gone a long way toward diminishing the area of operation of this regulation.

By Mr. Benidickson:

Q. To whom would the cheques be payable in that group of 1,500 in mental institutions?—A. I am not aware of 1,500 to 1,800 patients who are old age pensioners in mental institutions receiving the pension.

Q. The federal auditor would have noticed that?—A. I think we would have noticed it on the monthly paylist even before our examiners got around to reviewing the files.

Q. These people in British Columbia have been placed in institutions that contain only people who are suffering from such things as loss of memory and senility?—A. The British Columbia authorities have made a distinction between these senile cases and what they call psychotic cases, where there is real mental illness and mental disturbance. This latter type of case has to be taken care of in a mental hospital. I think it is generally accepted across Canada and in other countries as well, that a very large number of aged persons are finding their way into mental hospitals at the present time. There is a disturbingly large number in almost all countries where mental hospital programs exist, and it is also accepted that a substantial number of those are in there for senility, irascibility, loss of memory, etc. They do not adjust to their community and finally their condition gets to the point where it is necessary to put them in a mental hospital. Whether they are senile or mental is difficult to decide, and not being a psychiatrist I would not attempt to say.

But where the province sets up a separate law, a separate provision for these people, and admits them to this separate institution which they call homes for the aged, it is difficult for us at the federal level to take the view, despite what their law says, that these are still mental institutions and that the patients in these institutions are mental patients.

By Mr. Laing:

Q. Are we paying old age pensions to such people?—A. If they are in homes for the aged set up under the laws of the province, yes.

Q. Let us take the case of a person who may have no near relatives but who is suffering from advanced senility; to whom is that money paid?—A. If he

is in that institution the province, under their regulations, has the authority to name a trustee, and the trustee in that case is usually the superintendent of the institution. The cheque is divided beween the institution itself as payment for the aged person's care in the institution and a small comfort allowance is usually provided for the individual himself. This whole area of pension payments 75 per cent of which come from the federal treasury to persons in provincial institutions, is a very perplexing problem.

By Mr. Noseworthy:

Q. Is any other group of institutional cases debarred from old age pensions?—A. The only other group is inmates of jails.

Q. That is an anomaly, is it not? If they are in any other institution they may receive the old age pension but if they are in a mental hospital or in jail they cannot?

The CHAIRMAN: That is the regulation.

Q. It is rather antiquated.

The CHAIRMAN: In what way?

Q. I can see no reason why an old age pensioner who is a public charge in an old age home should be the recipient of old age pension any more than one in a mental hospital, or vice versa. I think they are both public charges.

Mr. SMITH: I asked Dr. Davidson a question in regard to certain inmates of county homes being entitled to the pension, and I thought the answer was they were not.

The WITNESS: I think you will recall that your question was whether or not they were charged the value of board and lodging as provided by the county authorities.

Mr. ASHBOURNE: When was this ruling by the Department of Justice made?

The WITNESS: I could not give you the exact dates from memory, but I think the first ruling was made last September and the later one even more recently. We have not yet been able to communicate them to the provinces but will do so shortly.

Hon. Mr. KING: I would like to say this: what the province of British Columbia is doing in separating these people and providing for them has been confirmed and endorsed by the best medical authorities on this continent.

By Mr. Fleming:

Q. May I ask if Dr. Davidson has had an opportunity to prepare that information I asked for on Monday or Tuesday about the possible cost of other forms of social security?—A. I have done my best to bring some material together. It is not in written form and I must admit I would have great difficulty in putting it in written form because it is very much bits and pieces.

The CHAIRMAN: I believe you should give us what you have, Dr. Davidson.

By Mr. Fleming:

Q. Will you be able to make a more finished production of it if you have more time?—A. I am afraid not.

Q. We might as well hear what you have now.—A. I have been trying, at Mr. Fleming's request, to pull together some, what you might call, unfinished business as far as other social security costs are concerned, so you would be able to see the implications of any decisions you might make in respect of old age security in relation to any other possible commitments of governments in federal and provincial and other social security fields.

I think the first and largest item is health insurance, which has been the subject of discussion for a good many years both on the provincial and federal levels, and which was the subject of one of the dominion proposals to the provinces in 1945.

In 1945 an estimate was published as to the cost of a total health insurance program in which the provinces would share; and some indications were given there as to what the federal government at that time, within the framework of the over-all tax agreements, thought would be the cost in financial terms.

The estimates in 1945 were based on a figure of $21.60 per capita as being the cost of a comprehensive system of health insurance for all people of the country. On the basis of that per capita figure the total cost, based on the 1941 population, was set at around $250 million annually. It was suggested that the provinces should bear $100 million, and the federal government's share would be $150 million annually. The percentage sharing of cost was to be 60 per cent federal and 40 per cent provincial.

Hon. Mr. KING: Is that a departmental development or did it come from some representations?

The WITNESS: No, that was in the proposals which the federal government made to the provinces in 1945. Now, all that I have been able to do is to take that same per capita figure worked out in 1945 and apply it to our present population. I give you the next figure with the full knowledge of the fact that the $21.60 per capita figure, if it was valid in 1945 is inadequate now in terms of the rising cost of hospital care and other types of medical care since that time. On the basis of the $21.60 per capita figure, taking the present population, including Newfoundland, the cost for the same kind of health insurance program today would run close to $295 million.

Now, one can add to that whatever one feels justified in adding in light of the rising cost of health and medical care which has taken place during the last few years. I can give you only one indication of the extent to which that figure may not perhaps be representative of the full present cost of medical care. A survey was made in 1947-48 of a representative sample of Canadian families, making a breakdown of expenditures under a variety of headings. Estimates from preliminary figures indicate that in 1948 family expenditure for health care in all forms, may have been in the neighbourhood of $350 and $370 million.

By Mr. Ashbourne:

Q. And did they make that study as regards old age pensioners?—A. No, they did not.

Now, health care included physicians' services, dental care, nursing, optometrist services, osteopath, chiropractors, physiotherapy, medicine, drugs, appliances, and medical supplies, but they did not include in that premium payments on prepaid forms of hospital or medical care.

Now, that is about as far as I can go, Mr. Fleming, in terms of that, which is the major item of social security provision other than old age security which has been under discussion between the provinces and the federal authority up to the present time. One can see from that something of the size of the cost problem without being able to foresee exactly what might be the ultimate distribution of cost as between federal and provincial authorities. Perhaps it is pertinent to mention there that, having given those figures, one should keep in mind the fact that a very large amount of the cost of health insurance would be simply a shifting of present expenditures into a different channel rather than an additional expenditure on the part of the Canadian people. They are spending according to the survey I have mentioned $350 million or more at the present time on all forms of health care, but they are spending it through

individual channels. It does not follow that if health insurance were organized and developed that there would necessarily be a large extra expenditure by the Canadian people, although it would mean that large sums of money registered by present expenditure would be directed through organized channels, provincial and federal. I think that point makes it clear, does it not, Mr. Fleming?

Q. You have two other subjects that you were to take up?—A. The next question, I think, is most difficult.

By Mr. Benidickson:

Q. Before we leave that question of health insurance, could Dr. Davidson just make a comparison of the type of services contemplated in these 1945 proposals on a national scale with those now being provided by at least two of the provinces on a provincial scale. I think British Columbia and Saskatchewan each have a health scheme. What differences are there in the types of services that are being provided and those that might be provided under that federal scheme?—A. You are not speaking of the special medical care provisions for old age pensioners, but of their hospital insurance legislation.

Q. Yes.—A. In British Columbia the insurance program is limited to hospital insurance. Medical care insurance is not involved at all. In Saskatchewan that is basically true for the province as a whole with the exception of the Swift Current area. In that one area of Saskatchewan, there has been set up a demonstration project involving somewhere around 55,000 of the population where they have a local tax supported medical care insurance program supplementing their hospital insurance program.

Now, the nature of the federal proposals to the provinces in 1945 was one which was much more comprehensive, involving hospital insurance, medical care insurance, including both general practitioner and specialist services, diagnostic services in the hospital, nursing services in the hospital, visiting nurses services outside the hospital, dental services and pharmaceutical benefits.

That, roughly is the extent of the 1945 proposals as related to what is being done now in the provinces of British Columbia and Saskatchewan.

The CHAIRMAN: Would the members of the committee rather come back at two o'clock or would you rather go on and finish before we rise?

Mr. NOSEWORTHY: I would like to ask one question on that Ontario mental hospital—

Mr. FLEMING: Could Dr. Davidson complete his statement first?

The CHAIRMAN: I wanted to know if it was the wish of the committee to come back at two o'clock or to carry on now. It is agreed we continue now.

Mr. NOSEWORTHY: If I may refer to that question in Ontario—

The CHAIRMAN: I believe we should wait until Dr. Davidson has finished his answer.

The WITNESS: The next question is invalidity pensions and I really should not venture any figures on this because they are so extremely uncertain. The more I have tried to get a reliable figure the more I am bogged down in conflicting evidence. In a statement by Mr. E. A. Dunlop, who is now with the Canadian Rheumatism and Arthritis Society, an estimate, based on U. S. figures is given. Mr. Dunlop thinks that we might have 150,000 disabled Canadians of working age who are in need of rehabilitation. But whether that is the group that would get on invalidity pensions or whether that is the group you would provide a rehabilitation service for, is by no means clear. In theory that should be the group which would not be on disability pensions except temporarily during periods of retraining. But nothing is said in the material I have seen from Mr. Dunlop as to what you might call the hard core of people who would get invalidity pensions.

We have done something ourselves of a similar nature. We have taken the most recent United States survey of the United States Public Health Service, a survey of the prevalence of disabling illness in 1949 in that country. We have taken from that the disabilities that they listed of more than six months duration. If we can assume that our ratios are the same as the United States ratios we would have between 20 and 65 years of age in Canada, about 170,000 persons with disabilities, not in all cases total or permanent, but with disabilities that have incapacitated them for periods longer than six months.

Those two figures, I think have to be taken with very very great caution. We also tried another approach. We said to ourselves, regardless of what the definition of disability might actually be, regardless of whether it be total or permanent, our experience in regard to people who come under benefit in any invalidity legislation we might have in Canada would probably be about the same as those in other countries which have disability benefits. Let us turn, therefore, to other countries and see how many invalidity pensions in proportion to their population they are paying at the present time. Well, you can take a figure from there, turned into Canadian terms, ranging from 15,000 to 300,000.

If we had the same incidence as New Zealand has on invalidity pensions, we would have about 71,000. If we had the same incidence in our population as Australia has on invalid benefit, we would have about 132,000; Denmark, 141,000; on the basis of the experience of Sweden, which has as I should point out, a universal benefit and not a means test benefit, we would take in about 281,000. Now, the only conclusion I can begin to draw from that is that we might find ourselves taking care of a number ranging from 75,000 or 100,000 up to 150,000 or possibly 200,000. These are perhaps the ranges within which we would be safe in estimating the total number of disabled persons in Canada who might be considered for benefits. Then, you have the added complication of estimating how many of those people would pass through a means test provision, the details of which nobody knows. I think the only figure that would be safe in talking about at all would be that under any conceivable means test program in Canada, approximately the same as, or slightly better than you have at the present time, you might have 100,000 persons on invalidity pensions. The cost of that, the gross cost of that without referring to any division as between the provinces and the federal government, might run to $50 million a year.

By Mr. Fleming:

Q. Is the Dominion Bureau of Statistics in its census next year asking for information of that kind?—A. We are considering asking them to put something like that in their census but that is a very subjective thing because you have to decide what is the definition of disability that you are going to give to your census takers and then t is a subjective report as to whether a person is an invalid or not.

Now turning to other social security programs you would have to keep in mind also the question of unemployment aid to those outside the coverage of unemployment insurance. There I have no figures that I can really give you. I would simply recall that in the 1945 proposals the dominion undertook as part of those proposals to take the responsibility for the able bodied uninsured unemployed at benefit rates of 85 per cent of the unemployment insurance benefit rates. I can only give you as an index there, that for every 100,000 unemployed over a full year basis,—that has to be distinguished from 100,000 unemployed in any one month,—your cost for that kind of a proposal would run in the neighbourhood of $60 million. No one can forecast how many there will be but that will give you a measuring stick, perhaps.

Then, you would have to keep in mind that group of the population that falls between the able bodied unemployed and your invalidity pension group. You might call those the unemployable unemployed, and I can give you there

the figure that we have at the present time as to provincial and municipal expenditures in that field which would indicate that for 1949 the current provincial and municipal expenditures are running between $13 million and $15 million a year. I would like to be able to give you more accurate indications than those but with the time and the material at my disposal I think it would be extremely difficult, even with more time, to produce anything better than that.

The CHAIRMAN: That will suit the purposes of the committee; what you have given will suit the purposes of the committee, I am sure.

Mr. FLEMING: Oh, yes; we recognize the fact that it will be difficult to get the exact figures. We all appreciate the effort Dr. Davidson has made to compile this material.

Just one further thing: I take it, Dr. Davidson, that you would prefer not to comment as to what are priorities in this—I mean the kind of question I asked of Professor Cassidy? You prefer not to?

The WITNESS: I could not do that, Mr. Fleming.

Mr. NOSEWORTHY: I want to ask a question on the Ontario situation. If the Ontario authorities, or any other provincial authorities for that matter, were to segregate those old age pensioners who are now in mental hospitals into two groups, those who are mentally ill and those who are senile, and place those who are senile in special wards for, let us say, geriatric treatment instead of mental treatment, they would then comply with your regulations for old age pension.

The WITNESS: We would certainly deal with any proposal from Ontario for an arrangement of that kind on exactly the same basis as we have dealt with the proposals now existing in other provinces. I cannot go beyond that because it is a tricky proposition. But of this one thing you may be sure. There is no basis for the statement that there is any form of discrimination against any province so far as old age pension administration is concerned. We endeavour to apply the rules as equitably as we can right across the board.

By Mr. Ashbourne:

Q. Dr. Davidson has said there were relatively few cases, just a couple of hundred. How many provinces were concerned?—A. A couple of hundred what?

Q. What you are talking about.

By Mr. Knowles:

Q. Those were the two hundred samples from Ontario?—A. Yes; the various provinces adopt different methods of assessing income from real property and it was only in respect to Ontario's former method of application that we thought these questions should be raised.

By Mr. Ashbourne:

Q. Was it considered with regard to the other provinces?—A. It could not be because the other provinces were adopting different methods of assessing income from real property.

By Mr. Laing:

Q. But it would have the effect of giving different pensions in different provinces?—A. Of course it did that; but I would have to add in fairness that with a lot of our other regulations we do not take exception to it. The real point was that in our opinion at least it not only had the effect of giving different treatment in different provinces but it had the effect of nullifying almost completely the regulation itself. We try to be as lenient as we can in allowing

provinces to interpret with a fair amount of leeway. But when their interpretation carries to the point where the regulation does not have any effect or purpose, we try to do something about it.

Q. Under those circumstances I think the department should be complimented in bringing it to the attention of the Province of Ontario, and I think the Province of Ontario should be complimented in taking full responsibility for making a change.

Mr. KNOWLES: Mr. Chairman, as this is our last session of record I think before we close there should be some word of thanks said to Dr. Davidson.

The CHAIRMAN: That is what I was going to do.

Mr. KNOWLES: And to Mr. Willard, Mr. MacFarlane, Mr. Allen and so on.

The CHAIRMAN: Yes.

Hon. Mr. KING: And to the other officers of the department.

The CHAIRMAN: As this is the last public hearing I wish to join with my joint chairman and the members of the committee in paying a tribute to those who have helped us. We have received representations both written and verbal, from many organizations and individuals. Those whom we heard have helped us to envisage our problem from all possible angles. Their knowledge of economic and social matters will surely be of help to us in our deliberations. I wish to thank those who sent us representations in written form which have been included in our reports. They also will have a bearing on the decision we shall have to make. Moreover, those representations serve a useful purpose in giving us an outlook on the general feeling in various parts of the country and among various classes of the population.

I wish to thank especially Dr. Davidson, Mr. Willard, Mr. MacFarlane and their anonymous aides who have been very devoted both while sitting here and while working at their offices. For example, there is Miss Waters, under whose direction all the material was prepared in such a wonderful manner; and there is Mr. Arsenault, the clerk of this committee who has devoted all of his time to us. I do not need to say how we appreciate his efforts.

And I won't forget the committee reporters who have done a difficult job at times and who have been very co-operative. I know that in a very special way because I have gone over the transcriptions of the notes before they went to the printer every time, and I am in a position to appreciate just what they have done.

And I want to thank everyone. I want to thank each member of the committee for the co-operation he has given to both chairmen. We have avoided any discussion of party politics in our sittings, and I for one am very grateful for that, and my hope is that when we close our doors and start in to work on our report next Monday that the same spirit of co-operation will prevail among the members of the committee, without regard to party lines.

Thank you.

Hon. Mr. KING: Mr. Chairman, I would like to confirm all you have said and particularly to compliment you as chairman for the very able way in which you have conducted these proceedings and the manner in which you have at all times handled the committee with fairness and clarity, and dealt with many situations which were not too easy to control. I think, gentlemen, we owe very much to Mr. Lesage.

The CHAIRMAN: The committee will continue its sitting in camera.

The committee continued in camera.

APPENDIX "A"

OLD AGE SECURITY

Commentary Based on the Social Security Report (1943)

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May 20, 1950.

The Social Security Report was primarily concerned with setting out the considerations essential in a comprehensive approach to social security provisions. It is still as necessary as ever to recognize that the particular range of social welfare problems to which social insurance offers some of the answers—unemployment, sickness, disability, old age dependency, etc.—are interrelated at many points. Piecemeal planning is liable to be inefficient in one or both of two directions: (a) in the creation of anomalies in coverage of particular groups of people, and (b) in the duplication of administrative costs. The parliamentary Committee may very well be handicapped in its approach if its attention is confined solely to old age pensions. In one country after another, it has eventually been necessary to take account of the interlocking character of what have been called the "universal risks" (p. 106): more particularly, (a) disablement and (b) widowhood, as well as (c) retirement, or old age dependency. A few relevant considerations must therefore be mentioned even in this brief memorandum.

A second point of general import must also be stressed at the outset. It is still not sufficiently appreciated that an organized social security system, or any part of it, *is an alternative to poorer, but still costly, ways of providing assistance to persons in need.* The costs of dependency, of whatever type, are always met by somebody; and some of the costs are lowered health and morale. If we did not have unemployment insurance today, there would be much more need than there has been for expenditure on unemployment relief and various kinds of "handouts". Payments made under a health insurance scheme would, in part at least, replace expenditures which would otherwise have been paid for drug store "remedies" and inferior substitutes for skilled treatment, and for medical and hospital care late in the day which would have been more effective if patients had been able to consult doctors earlier. For old age security, considerations of this type, of course, are not closely parallel, though they have a place. The choice of social insurance benefits *versus* charitable assistance, however, is a real one. We must face for the future either an increasing volume of national expenditures on an indigence and charitable basis, or payments made without means-tests, not damaging to self-respect, and straightforwardly administered somewhat akin either to unemployment insurance or to children's allowances.

The biggest single fact about old age pensions is that Canada is committed to paying some form of them for a substantial proportion of the population anyway, and on an increasing scale in the future. One way or another—efficiently or inefficiently—a proportion of the Canadian national income is going to be devoted to the maintenance of the oldest section of our population. If this fact is brought into perspective at the outset, it will put the issue of method in its proper light.

Recent Developments

Changes which have taken place since the Social Security Report was written may be grouped under three heads.

(*a*) Recent revisions of the Old Age Pensions Act have liberalized the interpretation of the means-test, as well as some of the residence and citizenship requirements. The basic amount up to which the Dominion Government will contribute three-fourths of the cost is now forty dollars a month; and a number of provinces (British Columbia, Ontario, Alberta, Saskatchewan, and Nova Scotia) pay supplemental amounts varying from five to ten dollars a month. The essential features of means-test restriction still remain, however. The amount of pension received may be considerably scaled down, and combined allowance-plus-income may not exceed $50 a month. The practical conditions of eligibility are not as close to proof of near-destitution as they originally were: but the status of the pensioner is still clearly that of an applicant in need. The adjustments in the basic rates are not based on an assessment of what is an adequate maintenance standard, but are primarily a recognition of the fact that the cost of living has risen substantially, (37·5 per cent since 1943, or 44·5 per cent since 1941).

(*b*) Among developments which are of significance for social security planning in general is the establishment of a Welfare Division in the Department of National Health and Welfare, and of a Department of Welfare in one form or another in most of the provinces. The administration of old age pensions has in most areas now been moved from the anomalous bodies, such as Workmen's Compensation Boards, which have hitherto handled the payments. The institution of children's allowances as a nation-wide system, universally available without a means-test, has no direct bearing on the improvement of old age security measures (though it is relevant to widows' pensions and disability pensions); but the contribution which it makes to the possibility of building a well-coordinated, "streamlined" social security system is a large one. There has also been a substantial growth in the experience and coverage of unemployment insurance administration (including the adjudication of claims).

(*c*) A new importance has been given to retirement schemes organized on an industrial basis, by their advent as one of the possible issues put forward by trade unions in collective bargaining, and the actual implementation of a scheme in one Canadian instance following wage negotiations. This development has gone much further in the United States.

Evidently, there are three alternative ways of moving towards old age security receiving attention in the post-war world: extension of existing pensions, the development of a social insurance system, the encouragement of industries to "make their own provisions"—or perhaps, of course, some combination of them all.

It will help to take the last-named first. I might at first seem that this new trend should be welcomed as the simplest answer to the problem. If every industry can make retirement provisions for its "own" workers, would this not take the pressure off the government, permit flexibility and adaptation to differing conditions, ensure some financial contribution from employers? There is little ground for such optimistic expectations.

The number of industrial schemes in Canadian establishments (quite apart from recent ones instituted as part of the wage bargain) has increased notably in recent years. The best available information when the Social Security Report was written related to around 1938: an up-to-date survey has since been made by the Department of Labour, and the Department of National Health and Welfare.[1] This makes quite clear that industrial coverage is still very uneven, and

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1. See "Pension Plans in Canadian Industry", *Labour Gazette*, April, 1950, pp. 443-453.

that even in industries with schemes many workers may be left out or ineligible. Railways and banks are the exceptions, not the rule. Taking all wage and salary earners together, as much as three-quarters are not covered within their "own" fields of employment. The unskilled and the weakest-organized would have least chance of gaining protection in this way; and this road leads to no solution at all for farmers and others who are gainfully ocupied in non-industrial pursuits.

Nor is coverage the most important point. The increase of industrial retirement plans will intensify the reluctance of employers, already very evident in the labour market, to take on men who have reached the older age groups. At the same time, not all workers will relish the thought that they must remain "tied" to one industry for a lifetime in order to realize their pension. Unless arrangements can be worked out by which employees who leave a firm can take with them or compound their pension rights (a very unlikely possiblity, in view of the variety as well as the integrated group type of many schemes), mobility will become increasingly restricted.

There are other aspects, such as the incidence of costs, which raise further questions; but these are enough to clarify the main issue. Industrial and commercial schemes (and for that matter, individual savings, insurance, annuities, etc.) which are *supplementary to a basic general pension* are one thing: reliance on them to provide a self-sufficient substitute is another. By the same token, it is a mistake to regard the advent of union welfare schemes as removing the need for government plans: it is the failure to implement and expand governmental plans which has called forth the union action in this new form.[1]

A "Basic Unit" Contributory Scheme

Until this new development appeared on the industrial scene, it could be said that private schemes would help some of the more favoured (and regularly employed) groups towards adequate superannuation, but would leave a great majority of wage earners unprotected. At the other extreme, old people without any savings (or who had lost them through other misfortunes) would have the means-test pension, or "straight" social assistance. The primary task was still to provide for the great number "in between". (It must never be forgotten also that farmers and other non-wage-earners can only be covered through "universalized" methods). If industrial pensions on a much wider scale are also to develop, however, the need to cover the middle area with some form of "basic-unit" pension is reinforced rather than weakened. It is easier, not more difficult, to plan social insurance for people who have some small modicum of savings on which they could manage if they were *added* to a basic pension of which they could be sure.

Such an understanding would enhance thrift, not discourage it. It is exactly what many of those who oppose "social security" in the abstract would agree is desirable. And it is of course the very reverse of what happens under the means-test principle. The possession of some property or savings, besides being a disadvantage in terms of eligibility, *substracts* from the allowance receivable.

Yet if nothing is done to provide a true social-insurance pension, the pressure for further liberalization of the existing Dominion-provincial pensions will be irresistible. For the men and women over 70 at present in receipt of them, who are never likely to benefit under a new scheme, this may well be desirable. But

[1]. It is significant to note that in the Windsor automobile industry, the Canadian example already noted, the United Automobile Workers have urged a full pension, as compared with the partial pension demanded by the American branch of the union, because (as compared with the provisions of the Social Security Act) no overall pension exists in Canada.

the existing pensions, which are really social assistance allowances on a means-test basis reserved for a particular age-group, are not suitable for extension to larger and larger numbers of people. What is needed is a new system which can make some provision towards the period when employment is no longer possible, which can be free of any stigma of charity, and which preferably shall be a nation-wide scheme suitable for all Canadian citizens without regard to the part of the country in which they happen to live.

Advantages of Flat-Rate Scheme

It is the great merit of a flat-rate benefit and contributory scheme that it can serve this purpose with least administrative difficulty. As between this and the graded retirement benefits, scaled according to wage rates or differential contributions, there is added experience, particularly from the United States, to suggest that the advantages which seem to attach to the latter are gained at too great a cost. It is true that, in the light of the enormous complexity of the records required under the American scheme, the statistical and administrative task has been remarkably well handled. The fact remains that a graded scheme, or any other scheme which requires complete records of each individual contributor's payment history, involves heavy administrative costs. If they can be avoided, this means the release of hundreds of thousands of dollars, maybe millions, which can be used for benefits. What is also significant is that the total coverage of the American scheme is still very far from adequate. This is partly because Congress has blocked repeated efforts to have the original scheme of the 1935 Act extended; but it is also because of the inherent difficulties of the graded scheme which sets up income and employment categories. A recent estimate is that at least 25 million people are not covered; and amendments now being considered would provide at most for ten million and more probably for only five million. Worst of all, the coexistence of two schemes—the preceding old age assistance provision (improved with federal subsidy) along with the retirement aid survivors' benefit scheme, hedged with qualification restrictions—has been strengthened rather than eliminated. People who for various reasons have not qualified have no recourse but state and local assistance. Actually, more expenditure goes in assistance pensions than in social security benefits, at the present time.

The path of progress is clearly to devise a method which will bring everybody under a contributory system as rapidly as possible, and which will ensure at least that the charity pensions do not increase.

Advantages of a Contributory System

No doubt, arguments will continue to be advanced in favour of a completely non-contributory system. Apart altogether from whether it is claimed that one group or another (industry, the government, employees, etc.) is specially responsible, in purely financial terms it can be argued that the money will come from substantially the same sources in the long run, whether a pay-roll tax or general state revenue is the source. However this may be, there are still substantial practical reasons in favour of a contributory scheme. As already put forward in the Report, this is particularly true if the scheme is universal in application (i.e., for all gainfully-occupied persons) and, preferably, on a flat-rate scale kept as low as is reasonably possible.

(a) Individual contributions on a nation-wide scale are an aid in the fund-raising which cannot be ignored in view of the large dimensions of future pension expenditure. The proportion may be small at first, but it could grow

steadily. It would seem realistic to face the fact that there is no possibility of putting national pensions on a completely "pay-as-you-go" basis for some time; but an immediate contribution toward this objective would be a constructive step.

(b) Contributors, i.e., all employed citizens, gain an interest and a right to participate in the scheme which does not come as effectively in any other way. Again, far from weakening incentives (in this case, to make some provision for old age), contributions are a form of organized thrift. The corollary, it should be noted, is that some organization must be built into the contributory insurance scheme to provide for the fair adjudication of claims, on the model of the tribunal provisions now established in the Unemployment Insurance Insurance scheme. Properly developed, these add to the democratic features of the system as a whole.

(c) The distinct contributory element in the total fund (and annual payments) removes much of the political objections which might otherwise attach to large disbursements from government funds. Actually, a combination of individual contributions and general tax revenue is an equitable compromise. Financing based on flat-rate assessment alone would not be fair to the lowest income brackets: like the sales tax, it is regressive in effect. Tax revenue however, since a large part is derived from income taxes and corporation taxes, draws from the upper-income groups in graded relation to their capacity to pay.

A Method of "Dovetailing"

Still in pursuit of the objective set forth above, the most critical decision concerns the method of relating the two schemes, the new and the old. The quicker the newer one can "take over", the quicker will be the release from the handicaps and stigmas of the means-test.

Three alternative routes have been set out carefully in the Social Security Report (pp. 76-78). It will be evident from these that no method is free of difficulties or compromises. It is possible to add, however, that the "qualified benefit" method is the most likely to multiply complications if any attempt is made to interpret rigidly the number of qualified contributions which must precede grant of a pension. The New Zealand method of "qualified contributions" (p. 72) would undoubtedly be the simplest, and some adaptation of this principle should not be rejected without careful consideration. If it is not accepted as feasible, however, there is everything to be said for a simple way of bringing into the new scheme persons of eligible age (65 or thereabouts) within the first five or ten years of operation. The aim should be to move rapidly towards universal coverage. This would be possible with the least administrative difficulty if, for example, persons aged 65 could be credited with five years' contributions, on the assumption that if the contributory scheme had been in operation they would actually have paid these contributions. A variable scale, worked out on this principle, could be applied very simply; and it would be the quickest way of removing the need to retain a "limping" non-contributory scheme side by side with the new one.

Desirable Modifications

(a) Bonus for Postponed Retirement

The principle that there should be an incentive for persons to postpone the acceptance of a pension—in other words, to continue employment and self-support as long as possible—has become well known since the publication of the Beveridge Report; and its desirability is argued equally strongly in the Social Security Report. It would be consistent with the liberal approach of the provision previously suggested, to put substantial emphasis on postponed retirement

provisions. A scale such as the following, which would also recognize another principle, namely, that dependency may come earlier for women, makes this clear.

Age of Application		Monthly Pension
Man	Woman	
		$
65	60	45
66	61	47
67	62	49
68	63	51
69	64	53
70	65	55
71	66	57
72	67	59
73	68, etc.	60

In order to preserve the idea of the "basic rate", it would be desirable to refer to the pension as, e.g., $45 plus deferment bonus of $4, and so forth.

(b) Earlier Eligibility

A great many social assistance allowances are being paid today to persons aged over 65, and over 60, who will qualify for the present (Dominion-provincial) old age pension when they reach the age of seventy, yet whose physical status and working capacity will not be greatly different then from what it is now. There are others who would qualify for a total disability pension if such pensions existed: their real problem is disablement, which is irrespective of age. It is illogical that they should only qualify for a "pension" at 70, or even for a contributory old age (or retirement) benefit at 60 or 65, if this existed. Meantime, however, these two classes of persons will be dependent on public support in some form, probably provincial and municipal.

A contributory pension which was available at an earlier age (say 60), therefore—and, equally, one which was coupled with provision for total disability—would not mean all new expenditure. The net pensions bill would of course be larger, but part of the payment would represent a transfer of assistance burdens from provincial and municipal sources, to the Dominion treasury (and a minor proportion to payroll taxes). There is not much doubt that this is a fiscal improvement; and the removal of the means test is even more decidedly an administrative and welfare improvement.

If a disability pension is to be included, it would of course be necessary to add an appropriate amount to the combined contribution for the "universal risks". The translation of retirement or disability pensions into survivor's benefits is referred to in the Social Security Report (p. 98). All of this is comparatively simple if a flat-rate scheme is accepted.

Implications of a Uniform "Basic Rate"

A completely different level of prices arrived at since the removal of price controls in 1946 clearly makes all figures of minimum standards subject to revision. The up-to-date study made by the Toronto Welfare Council is obviously relevant in this regard, and will undoubtedly be referred to in other representations. It may be helpful, however, in this memorandum to reiterate the advantages which would accrue from a comprehensive scheme even if the basic rates should for some time fall short of an adequate maintenance standard.

(*a*) It requires a certain shift of focus—though a very desirable one—to get away from thinking only of pensions intended for people who will be completely dependent on them, and without any resources of their own, to pensions which

will be a nucleus amount, available for everybody, regardless of their savings and other resources, and which is capable of supplementation in a variety of ways. The principle is not as innovatory as it may sound. It has already been applied, in effect, in the form of children's allowances, to every family in Canada.

Pensions would be supplemented in practice in a variety of ways: (*a*) By private insurance and annuities, etc. by the upper income groups who are normally able to make such provision: at the top levels the pension (like the children's allowance) might be insignificant, but for many white-collar earners it might well make the difference between adequacy and inadequacy of retirement income. (*b*) Wage earners (a growing majority in modern Canada) would still have much to gain from industrial pension plans, without feeling the necessity to push them to maximum limits. The fact that a majority of industries have no retirement programs would be less of a vacuum than it is at present. Those plans that provide an inadequate superannuation (there are still many of these) would be strengthened. Over and above all this, there would still be plenty of room for individual savings, insurance, and other forms of provision for the future. (*c*) For those who reach the end of their employment years with only meagre resources, they would at least receive, without the necessity of means-testing, this basic pension; and they would have no prohibitions placed on their securing other earnings in any form. The penalizing of small-scale thrift which exists at the moment, to say nothing of the manipulations and subterfuges which go on preparatory to reaching age 70 for many needy persons, would be eliminated. On the whole, the task of social agencies, governmental or private, would be easier. Unquestionably, the need for Welfare Departments and private social welfare agencies will not be removed. But they would be able to turn increasingly more to supplementary aid, and constructive services of various kinds.

(b) It is not possible, through social security benefits alone, to equalize all differences of living standards, whether between classes, occupational groups, or regions. Much of this must be tackled in other ways. There is one thing a comprehensive social insurance system can do, and particularly because it is to be administered as a Dominion Government scheme: it can stress *universality* and broad equality of benefit rights. If the social insurances are to avoid many of the objections which come from charitable and social assistance allowances on the one hand, and on the other, from attempts to model social security benefits on private insurance (as in the United States), they must aim at providing a basic nuclear amount to all citizens for the "universal risks". Even if the amount possible at present is inadequate taken by itself, this is much better than trying to legislate for a more substantial amount restricted to only a proportion of the total population in need, which becomes complicated by regulations which are costly to administer, and which in spite of all this still leaves some persons wholly dependent on "relief type" assistance.

APPENDIX "B"

MINISTER OF HEALTH AND WELFARE

PROVINCE OF BRITISH COLUMBIA

JUNE 1st, 1950.

Jean LESAGE, Esq., M.P.,
Joint Chairman,
Joint Committee of the Senate
and the House of Commons on Old Age Security,
House of Commons,
Ottawa, Canada.

Dear Sir: Since my recent appointment to the Portfolio of Health and Welfare in the Government of British Columbia my attention has been drawn to the correspondence between the Joint Parliamentary Committee on Old Age Security and this Department. I have noted in particular your letter of April 28th addressed to Mr. W. E. Griffith, Deputy Minister of Welfare for British Columbia.

I think I should draw to the attention of your Committee a Resolution concerning National Contributory Pensions which was passed at the 1950 Session of the Legislative Assembly of British Columbia. A copy of this Resolution is attached. I trust that it may be of interest to your Committee.

If you consider that my Department can help your Committee in any way please do not hesitate to call upon me.

Your very truly,

(Signed) A. D. TURNBULL,
Minister.

Encl.

RESOLUTION

And whereas it is reasonable and necessary to improve conditions for our senior citizens:

Therefore be it Resolved, That this House request the Government continue its efforts to have the Green Book proposals in respect of national contributory pensions brought into active and early consideration during the forthcoming Federal-Provincial conferences with a view to effecting permanent solution to the matter of providing for all Canadians who, through age, illness, or other incapacity, are unable to provide for themselves:

And be it further Resolved, That this House commend the Government for the part it has played and the lead which it has given in granting pensions higher than those provided elsewhere in Canada despite the fact that this Province has a higher percentage of aged people and a consequent higher cost of social security than any other part of the Dominion.

Amendment agreed to.

Motion as amended agreed to.

APPENDIX "C"

SUMMARY OF THE MINORITY REPORTS OF THE HOUSE COMMITTEE ON WAYS AND MEANS ON CERTAIN PROVISIONS OF H.R. 6000[1]

(*Research Division, Department of National Health and Welfare, May,* 1950)

This memorandum summarizes the basic views[2] and general supporting statements of the ten members of the House Committee studying the Social Security Act Amendments of 1949 (H.R. 6000), who signed the main Minority Report and, in addition, the views of Representative Karl C. Curtis who dissented from the Minority Report, although agreeing with the major findings.

I. Main Minority Report

1. *General Position of Minority Members*

The Minority members opposed certain provisions of the bill while agreeing that the coverage of O.A.S.I. should be broadened and the amount of benefit payments increased. Their opposition was, in general, based on the belief that the proposed amendments would add to the "huge and pyramiding cost" of the social insurance program, and that certain provisions of H.R.6000 were inconsistent with the fundamental principles of social insurance.

The following quotations from the Minority Report illustrate the basic minority viewpoint on the question of compulsory social insurance:

> "In our opinion, he purpose of compulsory social insurance is to provide a basic floor of economic protection for the individual and his family and in so doing to encourage and stimulate voluntary savings through personal initiative and ambition. It should not invade the field historically belonging to the individual.
>
> We believe that such a form of compulsory social insurance which unnecessarily takes from the individual funds which he would invest or otherwise use for completing his own security is incompatible with our free-enterprise system. Accordingly, we do not conceive it to be a proper function or responsibility of the federal government either to compensate individuals for all types of losses in earning capacity or to provide a scale of benefits which pay substantially higher amounts to those with higher income.
>
> We believe further that if this vast program is to fulfil its social objectives, the most important factor is to restrict the burden of its pyramiding character within an amount which the economy can bear. This is so because in the final analysis the basis of all security is a

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[1] Information requested by Mr. Fleming and Mr. Croll, May 4, 1950, p. 386, Minutes of Proceedings, Joint Committee of the Senate and the House of Commons on Old Age Security, April 1950.

[2] The Minority views with regard to Public Assistance, other than assistance to the permanently and totally disabled, are not discussed in this memorandum. In general, they approved the bill's major provisions but opposed the new matching grant formula on the grounds that it would reduce the incentive of the states to provide adequate assistance payments, it would turn O.A.A. away from a public assistance program, would encourage an increase in case loads, and would lend impetus to the shifting of a state responsibility to the Federal government.

> productive economy, and the burden in any one year of the mounting cost of this program will have, in the main, to be paid for out of the production of the goods and services which the system seeks to distribute. . . . .[1]

2. *Recommendations*

(*a*) Coverage

(i) Domestic Service

The Minority Report recommends a broader coverage, with respect to workers in domestic service, than that proposed under H.R.6000. The Bill restricts coverage to services in non-farm private homes, and to workers employed 26 days or more in a calendar quarter by one employer and paid cash wages of at least $25 for services rendered in the quarter. It has been estimated that coverage under H.R.6000 would include 800,000 and exclude 900,000 in this category. The Report pointed out that the requirement regarding the number of days of employ ment for a single employer favours regularly employed household workers and discriminates against those who work for more than one or two employers each week. It is suggested that coverage should be extended to all household workers who work at least one day a week for an employer for six days in different weeks of a calendar quarter. This test of regular employment would, it was contended, impose no greater burden on the housewife than the coverage provisions of H.R. 6000, and would afford protection to those workers who most need it.

> Our recommendation for realistic coverage to household workers is predicated on the assumption that a simple and feasible method of collecting the necessary taxes from the housewife is effectuated by the Treasury Department and the Federal Security Agency.[2]

(ii) Teachers, Firemen, Policemen

The exclusion was recommended of teachers, firemen and policemen who are already covered under their own retirement and pension systems, based on the belief that the retirement systems covering these workers are better adapted to their needs than the broad social security program; and that their retirement payments are greater and can more easily be adjusted to changing needs through local and state action.

> It would in our opinion be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time.[3]

(*b*) Nature of Benefits

The Report recommended elimination of two types of insurance benefits, one of which, the disability insurance benefit, is newly proposed under H.R. 6000.

Elimination of the Lump Sum Death Benefit. H.R. 6000 would reduce the lump sum death benefit under present law from six times a worker's primary benefit, payable only when no survivor is immediately eligible for monthly benefits, to three times the primary benefit amount payable at death, regardless of the benefit rights of survivors. In the Minority Report this amended provision was regarded as inconsistent with the original intention of the Social Security Act, i.e., to provide some equity to those ineligible survivors of workers who had made some contributions to the system before death, but had not attended any insurance status upon death. Further, the lump sum death provision under H.R. 6000, was considered an improper federal encroachment into the field of funeral benefits as offered by insurance companies.

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[1] Committee on Ways and Means, House of Representatives (81st Congress, 1st Session), *Social Security Act Amendments of* 1949, *Report to Accompany H.R.*6000. Washington Government Printing Office, 1949, p. 157.

[2] Ibid. p. 163.

[3] Ibid.

Provision of Disability Insurance Benefits. The Report urged the extension of existing federal grants-in-aid programs to assist the states to aid permanently and totally disabled persons who are in need; this was considered the basic approach to the problem. This minority contention is supported by the minority estimate of the maturig cost[1] of disability insurance, as shown in Table 1 below; by the difficulty of reaching valid and realistic estimates of cost, by the belief that decisions regarding a worker's "inability to engage in any substantially gainful employment", are necessarily based in practice on non-objective criteria; and by the fact that the partial duplication of disability benefits with those paid under Workmen's Compensation would then be eliminated.

TABLE I

Estimated Cost of Permanent and Total Disability Insurance under H.R. 6000[1]

Calendar Year	Amount	Percentage of Pay Roll	Calendar Year	Amount	Percentage of Pay Roll
	$			$	
1950	....	....	1980	1,100,000,000	0·8
1955	300,000,000	0·3	1985	1,100,000,000	0·8
1960	700,000,000	0·5	1990	1,100,000,000	0·8
1965	1,000,000,000	0·7	1995	1,200,000,000	0·8
1970	1,100,000,000	0·8	2000	1,200,000,000	0·8
1975	1,100,000,000	0·8			

(1) *Report on H. R.* 6000, Table 1, p.165.

(c) Calculation of Benefit Amounts

(i) Wage Basis

The provision of H. R. 6000 which would increase from $3,000 to $3,600 the present wage base, on which tax contributions and benefit amounts are calculated, was opposed on the grounds that: such an increase would favour a worker near the retirement age, as the additional benefits gained would far exceed the value of the additional taxes he would pay on the extra $600 of wages; the taxes paid by younger workers earning $3,600 would increase by 20 per cent and their eventual benefits by only 7½ per cent a month; the ability of those earning over $3,000 to purchase additional security through individual arrangements would be reduced; and employer-employee pension plans would tend to use a lower level of benefits.

The Members considered the proposed increase in the wage basis as bringing into sharp focus a basic conflict in the conception of the purpose of the compulsory social insurance system.

> "This conflict is whether the system should serve to afford economic protection at a basic level appropriate for those least able to provide for their own security, or whether it should now be expanded into a national retirement system of high benefits as a relatively complete means of furnishing retirement and survivors' benefits without any need for supplementation by the individual."[2]

(ii) Yearly Increment

The elimination of the automatic increase (now one per cent, reduced to one-half per cent by H. R. 6000) in benefits for each year of coverage was

[1] These preliminary cost estimates acepted by the minority Members are somewhat higher than the estimates accepted by the House Committee. For example, the estimated costs reported by he House Committee rise from $236 million in 1955 to $870 million in the year 2000, as compared to the figures given in Table I.

[2] Ibid. p. 159.

recommended. This additional "increment" was opposed because it was believed to discriminate against the older worker first entering the system, and those with a work history of broken employment, i.e. "those less able to provide for their own security." In addition no justification was seen for a provision which committed future generations to an increasingly higher level of benefits. It was believed that the provision of the so-called "continuation factor" in the bill provides a method by which benefits are reduced pro rata for time spent in uncovered employment.

(iii) Average Monthly Wage

To obtain a better estimate of wage loss due to retirement, it was recommended that a worker's "average monthly wage" be calculated on the basis of his best ten years of consecutive employment. This would eliminate those wages earned in early apprenticeship years or years of lower pre-war earnings. The recommendation would offset the double reduction in benefit amount caused by the pro rata reduction for years in uncovered employment, and the inclusion in the wage record of years of relatively low earnings. In addition the recommendation introduces into the basic program an automatic mechanism which will tend to adjust future benefits to existing price levels.

3. *Conclusion*

The Cost of H. R. 6000

At present the annual costs of OASI amount to about $600 million expended on benefit payments and about $50 million on administration. According to the Committee's actuary, the intermediate benefit costs would rise under H. R. 6000, from approximately $1·3 billion in 1950 to $11·7 billion in the year 2000. Such expenditures would represent 1·1 per cent of estimated payrolls in 1950 and 8·1 per cent of payrolls in the year 2000. In attempting to determine whether such future expenditures were financially feasible, the Committee studied estimated costs of existing and recommended federal social-security pension, health and welfare programs, exclusive of veterans' program. Such estimated expenditures totalled $6·4 billion in 1950, increasing to $29·5 billion by the year 2000 on the basis of low estimates; the high estimates ranged from $7·6 billion in 1950 increasing to $41·3 billion in the year 2000.

The Committee commented that these future costs are costs for which commitments are being made today, and the Government, in underwriting the system, is morally and politically obligated to supply the necessary cash to meet these costs. It must meet these obligations through taxation or borrowing or a combination of the two. In conclusion, the Report quoted an authoritative statement on the increasing costs of social welfare and defence in England which emphasized the fact that taxes could not be reduced while social welfare costs increased and that a large budget and high taxation would thus necessarily continue in the future.

II. Additional Minority Report of Representative Karl T. Curtis on H..R. 6000

Representative Curtis, a Republican member of the House Committee on Ways and Means, dissented from the majority findings of the Committee with regard to its recommended amendments to the Social Security Act. While concurring in the major portion of the findings of the Committee's Minority Report, he expressed certain additional views which were supported by Representatives N. M. Mason and J. W. Byrnes, who also signed the minority report but basically subscribed to the views of Representative Curtis. Their views are summarized below.

General Position

The OASI program "is a grossly unsound and ineffective tool for the social security purposes it attempts to accomplish".[1] The mere extension of coverage or revisions in the benefit formula cannot bring about significant improvement. The fundamentals of the program should be objectively re-examined, and if drastic revisions are indicated, they should be accomplished, even if such revision requires the complete abandonment of the basic concepts of the present program.

Major Limitations and Necessary Revisions

1. The OASI program fails to provide automatic benefits for the majority of persons now in need.

The younger population will achieve insurance status by retirement age, but of some 10·7 million aged persons (5·2 million men, 5·5 million women) only one third of the men and one fourth of the women are at present insured. Many in this group will not accept Old Age Assistance and its needs test provisions. Aged persons now eligible for insurance benefits are the more relatively well-to-do, since they have long work histories or are still working. Thus the insurance program has failed to take care of those older persons for whom its benefits should be primarily available. Extension of coverage will not assist the aged at present unemployed and in need.

The proposed disability insurance benefits under H.R. 6000 are unsound, costly, very inequitable and unjust. Criticism was based mainly on the fact that, as with the present numbers of needy aged, disability insurance will not meet the needs of those at present disabled and under 65, nor those younger persons who by reason of permanent conditions will be unable to enter the labour force; only public assistance will be available to this group under the proposed program.

What is required is the development of a program offering "automatic benefits", that is, benefits available without a needs test, to supplement a wage-record insurance program. To those who would criticize the idea of paying every citizen an old age benefit it is pointed out that under the present program "we are now paying a privileged few, some of whom are independently wealthy, amounts that are many times more than what they have paid in. Under our old age assistance program, ...one state has now on the assistance rolls eight out of every ten of its inhabitants over 65 years of age. Every taxpayer in the country is helping to carry these loads".[2]

2. The OASI program fails to make the most advantageous distribution possible of the funds at its disposal.

The present concept of relating the amount of benefits to the worker's former wage does not wisely distribute the necessarily limited funds available for social security. This concept has been rationalized on the grounds that a greater wage loss is suffered when a higher-paid worker dies or retires. It ignores the important fact that the higher-paid worker should be expected to accumulate far greater resources with which to supplement his social insurance benefits than the lower-paid. "A social security system, subsidized as it is intrinsically from public funds, should not be the medium for continuing the high-paid worker's differential in living standard over that of his lower-paid fellow citizen."[3]

The variable benefit concept has been supported by the claim that it reflects geographic differences in living costs. In fact, benefit payments will show much greater variation within almost any fair sized town than variations in benefit averages between different towns or different parts of the country. It has been well established that variations in average expenditures between one locality and another reflect variations in living standards much more than they

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[1] Ibid. p. 173.
[2] Ibid. p. 175.
[3] Ibid. p. 176.

do variations in living costs. To the extent that an individual's need for higher benefit is due to genuine local variation in living cost, it is the function of his own community or state, whose increased living cost is matched by increased fiscal capacity, to make up that benefit differential by means of state financed public assistance, and not the function of the nation-wide social security program.

The benefit differential cannot be justified on the grounds of individual equity. Under the proposed Bill, the worker with an average monthly wage of $250 receives a primary benefit $16 greater than that received by a worker steadily employed at $100 a month. Yet, less than $2.47 differential in primary benefit amounts can be justified actuarially by the higher contributions of the higher-paid workers. Even in the long run, under the higher contribution rates of H.R. 6000, it is doubtful whether the differential in employee contributions will ever justify the differential in benefits between the lower-paid and the higher-paid worker. "While it is true that the higher-paid worker derives a benefit which is lower relative to his previous earnings than that of the lower-paid worker, and also that the higher-paid worker pays a larger relative share of the cost of his benefits than does the lower-paid worker, the important fact is that the higher-paid worker derives a greater dollar profit than the lower-paid worker".[1] A system of uniform benefits would remove these and other inequities and correct this socially adverse distribution.

3. There is lack of provision for flexibility in adapting OASI benefits to future economic and social changes.

The proposed benefit-formula revision will be only a temporary expedient in view of the constantly changing levels of prices and wages. If these levels fall substantially the benefit-wage ratio could be "disastrously high both socially and economically". The probable long upward trend of wages and price levels will demand further and continual adjustments in the benefit amounts for many years, particularly regarding benefits payable to those already on the rolls. This clearly points to the "absurdity of basing benefits on wage histories" and the inability of a social-insurance system to presume to meet the social needs of the future on the basis of records of the past and present. A consideration of various other economic and social factors indicates the inflexibility of the present program; such factors include the probably increasing age of retirement the social and political conflict of those receiving insurance benefits as against those receiving needs test old age assistance of a like amount, and the binding of future generations to pay "untold billions" in perpetuity, with no real knowledge of the adequacy of future payments or what the taxpayer can afford to pay at that time.

4. OASI lacks a sound financial structure.

The effectiveness of the program in the future is limited in that no definite scheme for meeting greatly increasing costs has been established. In fifty years the estimated annual cost of old age and survivors and disability insurance (under H.R. 6000) would be approximately $12 billion; with universal coverage, the best estimated cost in fifty years has been placed at $13 billion annually. "The alleged reserve now in the trust fund is already $7 billion short and the program is new".[2] In addition the proposed contribution rates are so small that actual costs are not met even with respect to the younger workers now covered, for whom contributions will be paid through their working life time. The present tax structure is highly regressive and the incomplete coverage not only of the working population but of those now old, disabled, or orphaned, means that the cost of employer contributions and eventual government subsidy is borne by those who cannot benefit from the program.

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[1] Ibid. p. 176.
[2] Ibid. p. 179.

The present benefit costs are now underfunded but to adopt a method requiring contributions of the level actuarial type would be a political impossibility, and even if achieved would have the adverse effect, that in the early years of the program much more would be taken out of the nation's economy than would be put back into it in the form of benefits.

Another objection to a program in which the number of beneficiaries is much smaller in the earlier years than in the later years is that, regardless of what financing method is adopted, there would be an uncontrollable tendency towards undue liberalization of individual benefit amounts. With only a relatively small number of present beneficiaries and with disbursements far below receipts, only the immediate future can be assured; the tremendous future cost, when a much larger number of persons are involved, is apparently not considered.

A realistic program must be established in which the number of beneficiaries at this time will be at least comparable to the number in the future. Under such a program any liberalization of benefit amounts would be immediately felt in rising costs. Disbursements from the program would require matching by incoming revenue, either over each year or over short period years, thus affording a definite program of financing.

Both at present and in the future, beneficiaries have paid and will pay significantly less than the actual value of the benefits they receive.

> The proponents of the present program as liberalized by the pending measure, claim to prefer insurance payments to assistance, and a contributory program to a noncontributory one. What they propose, however, is just the reverse of this stated preference. They favour a program which would leave for large numbers of needy persons only needs-test assistance, while at the same time favouring others with virtually noncontributory insurance benefits. A plan which would provide automatic benefits for all those now old, or otherwise entitled to benefits, would require the portion of the population now working to pay a cost equivalent to the value of their own benefits, and such a plan would therefore be contributory in its effect. The generation now working would be paying for the benefits of those now old (or the survivors of those now dead), with the assurance that when they become old their benefits (or if they are then dead, the benefits to their survivors) would be paid for by the generation then working. Such a program, I feel, would be both sound socially and sound financially.
>
> I submit that in any given year, those individuals who are so blessed as to have a job and good health so that they can produce, should carry the load for those unable to produce for themselves in that particular year, that the cost should be paid in full in that year, and that when the year closes, nothing is owed and nothing is promised.[1]

5. The OASI program is administratively complex.

Even with the most modern labour saving devices, the necessity of the maintenance of continuous wage records is very costly. Slightly more than one-half of the 15,000 employees administering the program are directly concerned with either the enforcement of the payroll tax or the processing of the quarterly employer reports and the maintenance of many millions of wage records. "Practically all of these operations, and some portion of the remaining operations, could be dispensed with, if benefits were independent of wage records."[2] The extension of coverage would increase employment tax enforcement as well as involve relatively higher administrative costs than the percentage increase in the number of persons covered. "On the other hand financing OASI by an income

[1] Ibid p. 181.
[2] Ibid. p. 183.

tax method, without wage records, would not only eliminate the above costs but would add practically no cost to the present expense of collecting income taxes."[1]

Representative Curtis proposed a program paying modest benefits, supported by a tax in the form of an addition to the current normal income tax rates. As previously mentioned, he viewed the payroll tax as regressive and the employer portion of the payroll tax as unjustifiable as a method of financing long term benefits related to the one-time hazards of death or old age. The social security bill should be paid each year on a pay-as-you-go basis; the fact that a specific tax is levied for that purpose would limit the pressure for higher payment.

In conclusion, Representative Curtis summarized his proposals as follows:

1. Payment of old age benefits to all citizens who have reached retirement age or over, to the widows of deceased citizens and to their orphan children under age 18;
2. Payments within each category (aged, orphaned, and so on) to be uniform in amount, though amounts of different categories may differ;
3. No needs test or work clause, except that other federally supported benefit programs would be offset, federal grant-in-aid for old age assistance (and aid to dependent children) would cease, and all such assistance payments would be state-financed;
4. Benefits provided would be financed by a specially earmarked percentage tax additional to the normal income tax;
5. Benefit payments would be included as taxable income in the ordinary income tax return to discourage many who do not need it from applying for benefits.

[1] Ibid p. 183.

SESSION 1950

JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 31

WEDNESDAY, JUNE 21, 1950
(also including Minutes of Proceedings *in camera* for June 5, 6, 7, 8, 14, 20, 21, 22 and 23).

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1. Supplementary Data on Old Age Assistance in the United States as prepared by the Research Division, Department of National Health and Welfare.
2. Supplementary submission by the Canadian Manufacturers' Association.
3. Old Age Pensions Act (Office Consolidation, 1950) and Regulations.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950

MINUTES OF PROCEEDINGS

WEDNESDAY, June 21, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.30 a.m. Mr. Jean Lesage, M.P., Joint Chairman, presided.

Others present:

The Senate: Honourable Senators Fallis, Fogo, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Cannon, Corry, Courtemanche, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Noseworthy, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

The Chairman tabled a statement prepared by the Research Division, Department of National Health and Welfare, entitled "Supplementary Data on Old Age Assistance in the United States".

On motion of Mr. Cannon,

Ordered,—That this statement, together with a supplementary submission received from the Canadian Manufacturers' Association, be printed as part of the Committee's Evidence.

By order of the Committee, the Old Age Pensions Act (Office Consolidation, 1950) and Old Age Pension Regulations are also incorporated in this day's Proceedings.

The Committee then continued its sitting *in camera* to give further consideration to its Report.

MONDAY, June 5, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Doone, Fallis, Farquhar, Fogo, Horner, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Corry, Cote *(Verdun-La Salle)*, Croll, Homuth, Knowles, Laing, Shaw, Smith *(Queens-Shelburne)*, Weaver.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare; Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance, and his Assistant, Mr. H. D. Clark.

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The Chairman read a letter from Hon. A. D. Turnbull, Minister of Health and Welfare, Province of British Columbia. It was ordered that the said letter together with Resolution attached thereto, be printed in Appendix to the Minutes of Proceedings and Evidence of Friday, June 2. *(See Appendix "A".)*

A statement entitled "Summary of the minority reports of the House Committee on ways and means on certain provisions of H. R. 6000" filed with the Clerk after the meeting of June 2, is also incorporated in the printed Proceedings of that day. *(See Appendix "C".)*

The Committee proceeded to the consideration of its Report.

At 6.00 p.m. the Committee adjourned until 8.00 p.m.

EVENING SITTING

The Committee resumed *in camera* at 8.00 p.m. Honourable Senator King and Mr. Lesage, Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Farquhar, Horner, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Corry, Cote *(Verdun-La Salle)*, Croll, Homuth, Knowles, Laing, Shaw, Smith *(Queens-Shelburne)*, Weaver, Welbourn.

In attendance: Officials of the Departments of National Health and Welfare and Finance, as listed for the afternoon sitting.

The Committee continued giving consideration to its Report.

At 10:30 p.m., the Committee adjourned until Tuesday, June 6, at 4:00 p.m.

TUESDAY, June 6, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Horner, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Cannon, Corry, Cote *(Verdun-La Salle)*, Courtemanche, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Noseworthy, Shaw, Smith *(Queens-Shelburne)*, Weaver.

In Attendance: Dr. G. F. Davidson, Minister of National Health and Welfare; Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance, and his Assistant, Mr. H. D. Clark.

The Committee resumed consideration of its Report.

At 6:00 p.m., the Committee adjourned until 8:15 p.m.

EVENING SITTING

The Committee resumed *in camera* at 8:15 p.m. Honourable Senator King and Mr. Lesage, Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Farquhar, Ferland, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Brown *(Essex West)*, Cannon, Corry, Cote *(Verdun-La Salle)*, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Noseworthy, Shaw, Smith *(Queens-Shelburne)*, Weaver.

In attendance: Same as at the afternoon sitting.

The Committee resumed consideration of its Report.

At 10:25 p.m., the Committee adjourned until Wednesday, June 7, at 11:30 a.m.

WEDNESDAY, June 7, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 11.30 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Fallis, Farquhar, Ferland, Fogo, Horner, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Cannon, Corry, Courtemanche, Ferrie, Knowles, Laing, Macnaughton, Noseworthy, Shaw, Smith *(Queens-Shelburne)*, Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare; Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance, and his Assistant, Mr. H. D. Clark.

The Committee resumed consideration of its Report.

At 1.05 p.m., the Committee adjourned until 4.00 p.m., this day.

AFTERNOON SITTING

The Committee resumed *in camera* at 4.00 p.m. Honourable Senator King and Mr. Lesage, Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Cannon, Corry, Ferrie, Fleming, Knowles, Macnaughton, Noseworthy, Richard *(Gloucester)*, Robertson, Shaw, Smith *(Queens-Shelburne)*, Weaver.

In attendance: Departmental officials as listed in the Minutes of the morning sitting.

The Committee continued to give consideration to its Report.

At 6.00 p.m., the Committee adjourned to meet again on Thursday, June 8, at 11.30 a.m.

THURSDAY, June 8, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 11.30 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Brown *(Essex West),* Corry, Courtemanche, Ferrie, Fleming, Knowles, Laing, Macnaughton, Noseworthy, Robertson, Shaw, Smith *(Queens-Shelburne),* Weaver.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare; Mr. M. W. Sharp, Director of Economic Policy Division, Department of Finance, and his Assistant, Mr. H. D. Clark.

The Committee resumed consideration of its Report.

It was agreed that the part of the report embodying the Committee's findings, be drafted under the direction of the Chairman (Mr. Lesage) and submitted to the steering committee before consideration by the main Committee.

At 1.00 p.m. the Committee adjourned to meet again at the call of the chair.

WEDNESDAY, June 14, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Fogo, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown *(Essex West),* Cannon, Corry, Cote *(Verdun-La Salle),* Courtemanche, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Picard, Pinard, Richard *(Gloucester),* Robertson, Shaw, Smith *(Queens-Shelburne),* Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare and Mr. J. W. Willard, Director of Research, Department of Health and Welfare; Mr. M. W. Mitchell, Director, Economic Policy Division, Department of Finance.

The Chairman read a communication addressed to the Clerk by Mr. G. K. Sheils, of The Canadian Manufacturers' Association, with which were enclosed copies of a brief supplementary to the one presented by the Association on May 15.

It was ordered that the brief be distributed to Members of the Committee.

The Committee gave consideration to a draft report.

At 5.45 p.m., the Committee adjourned to the call of the Chair.

TUESDAY, June 20, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 8.15 p.m. Mr. Jean Lesage, M.P., Joint Chairman, presided.

Others present :

The Senate: Honourable Senators Burke, Fallis, Fogo, Vaillancourt.

The House of Commons: Messrs. Beyerstein, Brooks, Brown *(Essex West)*, Corry, Ferrie, Homuth, Knowles, Macnaughton, Noseworthy, Pinard, Richard *(Gloucester)*, Shaw, Smith *(Queens-Shelburne)*, Weaver, Welbourn.

The Committee gave further consideration to its draft report.

The Committee adjourned at 9.45 p.m., until Wednesday, June 21 at 3.00 p.m.

WEDNESDAY, June 21, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 3:00 p.m. Mr. Jean Lesage, M. P., Joint Chairman, presided.

Others present:

The Senate: Honourable Senators Fallis, Fogo, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Cannon, Corry, Courtemanche, Ferrie, Fleming, Homuth, Knowles, Laing, Macnaughton, Noseworthy, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

Following a brief open sitting in the course of which certain documents were tabled, the Committee continued *in camera* and gave further consideration to its draft Report.

At 1:00 p.m., the Committee adjourned until 9:00 p.m., this day.

EVENING SITTING

The Committee resumed *in camera* at 9:00 p.m. Mr. Lesage, Joint Chairman, presided.

Others present:

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Cannon, Corry, Ferrie, Fleming, Knowles, Laing, Macnaughton, Noseworthy, Picard, Pinard, Robertson, Shaw, Smith (*Queens-Shelburne*).

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

The Committee continued giving consideration to its draft Report.

At 10:30 p.m., the Committee adjourned until Thursday, June 22, at 11:30 a.m.

THURSDAY, June 22, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met *in camera* at 11:30 a.m. Mr. Jean Lesage, M.P., Joint Chairman, presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar.

The House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brooks, brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Ferrie, Fleming, Knowles, Laing, Lesage, Macnaughton, Noseworthy, Picard, Shaw, Weaver.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director, Research Division, Department of National Health and Welfare.

The Committee gave further consideration to its draft Report.

At 1:00 p.m., the Committee adjourned until Friday, June 23, at 11:30 a.m.

FRIDAY, June 23, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met in *in camera* at 11:30 a.m. Mr. Jean Lesage, M.P., Joint Chairman, presided.

Others present:

The Senate: Honourable Senators Fallis, Farquhar.

The House of Commons: Messrs. Benidickson, Beyerstein, Blair, Brooks, Brown *(Essex West)*, Corry, Croll, Ferrie, Fleming, Knowles, Laing, Noseworthy, Richard *(Gloucester)*, Robertson, Shaw, Weaver.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare; Mr. M. W. Sharp, Director, Economic Policy Division, Department of Finance.

The Committee resumed consideration of its draft report.

At 1:00 p.m., the Committee adjourned until 2:30 p.m.

AFTERNOON SITTING

The Committee resumed at 2:30 p.m., *in camera*, Mr. Jean Lesage, M.P., Joint Chairman, presiding.

Others present:

The Senate: Honourable Senators Fallis, Farquhar.

The House of Commons: Messrs. Benidickson, Blair, Brooks, Brown *(Essex West)*, Corry, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Shaw, Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

The Committee gave further consideration to its report.

On motion of Mr. Brown,

Resolved,—That the report be adopted, and that the Joint Chairmen present same to the Senate and to the House of Commons as the Committee's Second and Final Report.

On motion of Mr. Shaw,

Ordered,—That 5,000 copies in English and 2,000 copies in French of the Committee's Final Report be printed on Parliamentary print paper with blue cover.

On motion of Mr. Fleming,

Ordered,—That in addition to the 1,500 copies in English and 500 in French authorized by the Committee on April 3rd, there be printed 1,000 copies in English and 200 in French of the Committee's Minutes of Proceedings and Evidence.

Members of the Committee joined in tribute to Mr. Lesage, M.P., and his co-chairman, Hon. Senator King, for having presided in such efficient manner over the Committee's activities.

Mr. Lesage again thanked all members of the Committee for their co-operation and expressed his deep appreciation of the assistance given by Mr. Willard, the Committee's Research Adviser, Dr. Davidson, Mr. Sharp and others, particularly for the onerous task of gathering and co-ordinating the material required for the Committee's inquiry and the preparation of its Report.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

NOTE: The Committee's First Report was a matter of routine only, fixing the Committee's quorum. *(See printed Proceedings of April 3rd and 25th.)*

The Committee's Second and Final Report is printed under separate cover.

SUPPLEMENTARY DATA ON OLD AGE ASSISTANCE IN THE UNITED STATES

Prepared by Research Division, Department of National Health and Welfare

Information on different aspects of old age assistance in the United States, additional to that already supplied to the Committee, has been received from Jane Hoey, Director, Bureau of Public Assistance, U.S. Social Security Administration, and may be of assistance with regard to questions asked by Mr. Knowles (p. 320) on the percentage of fair hearings under OAA decided in favour of an applicant; by Mr. Shaw (p. 327) and Mr. Brown (p. 333) relating to types of earmarked taxes used to meet the states' share of OAA payments; and by Mr. Ferrie (p. 333) regarding the extent of state financial participation in the provision of medical care to OAA recipients.

The Bureau also advises that H.R. 6000 has been reported out of the Senate Committee on Finance with amendments; Senate debate will shortly begin and will most likely result in further amendments. Pertinent abstracts from the communication are given below.

1. *Fair Hearings*

In reply to the specific question of one member of the Parliamentary Committee regarding the total number of hearings under our old age assistance program and the number of hearings decided "in favour" of the claimant, we are also sending you, under separate cover, copies of the three lastest semi-annual releases on hearings in public assistance, covering the period January 1948-June 1949, for which data are available for all 51 jurisdictions. The report of July-December 1949 will be issued shortly. The regular releases include, in table 5, information on disposition of hearing requests in all programs but do not provided such data separately for old age assistance. However, since most of the hearing requests come from claimants of old-age assistance, the proportion of these requests resulting in changes in the claimant's favour differs little for the country as a whole, from the comparable proportion of hearing requests in all programs. Pre-hearing adjustments on formal hearing requests are included in this tabulation. (See following page)

We count as changes in favour of the claimant any action on a hearing request that results in approval of a previously rejected application, continuation or resumption of payments to a case scheduled for closing, or any increase in an assistance payment. Included also is any decision on a hearing request based on delay in agency action, if that decision either established eligibility and amount of payment, or directs that action to be taken within a specified period; and included, finally, is any decision on a hearing request based on a specific eligibility requirement, if the decision establishes eligibility on that specific issue, even if it does not include a complete determination of eligibility or amount of payment.

Whether or not a hearing request results in a change in favour of the claimant depends of course on the issue or issues involved. Interstate differences in proportions of hearing requests resulting in changes in favor of the claimant, may reflect not only differences in issues but also differences as to the date to which the hearing decision relates. In some States the decision relates to the date of the particular agency action questioned by the

claimant. In other States, especially those that make no provision for retroactive payments, the hearing decision relates to the situation prevailing on the date of the hearing or on the date of some other disposition of the hearing request. Thus, a change in the claimant's favour may be due only to a change in his circumstances or to a revision in agency policy since the date of the questioned action. Conversely, of course, because of some change that occurred after the filing of the hearing request, the agency may be unable to make a change in the claimant's favour even though the questioned action was in error.

Because some agencies do not determine whether or not the questioned action was correct at the time it was taken, we cannot distinguish changes made in the claimant's favour directly as a result of the hearing request, from those due primarily to other factors and only incidentally providing a basis for disposition of the hearing request. Ordinarily, however, except when hearing requests remain pending for long periods, we believe that changes in the claimants' circumstances do not greatly affect the reporting of results of the disposition.

For July-December 1949, the comparative figures are as follows:

Method of disposition of hearing requests and result for claimant	All programs		Old-age assistance only	
	Number, percentage, distribution		Number, percentage, distribution	
Hearing Requests Disposed of:				
Total	5,552	100·0	4,351	100·0
Change in claimant's favour	1,746	31·4	1,393	32·0
No change in claimant's favour	3,806	68·6	2,958	68·0
By Hearing Decision:				
Total	3,365	100·0	2,568	100·0
In claimant's favour	880	26·2	705	27·5
Not in claimant's favour	2,485	73·8	1,863	72·5
By Other Means:				
Total	2,187	100·0	1,783	100·0
Change in claimant's favour	866	39·6	688	38·6
No change in claimant's favour:				
Request withdrawn	880	40·2	727	40·8
Other disposition	441	20·2	368	20·6

2. Sources of Revenue for States' Share of Public Assistance

The second question you raise relates to the sources of revenue for the State share of public assistance. This whole question of the purposes for which given State taxes were originally imposed, is, of course, exceedingly complex, involving almost all phases of State financing of various functions of government. In attempting to answer your question, we have considered only the allocation of revenues under the original and existing general sales tax legislation in the eight States using earmarked sales or use taxes in the financing of old-age assistance in 1949. We have not attempted to compile data for States earmarking sales taxes on selected commodities because of the difficulty involved in tracing the development of such legislation.

Information on earmarking of revenues for old-age assistance and other public assistance programs, 1939-49, is available in our files, and in general, has

been provided or checked by the State agencies. The information given below on original sales tax legislation and allocation of sales tax revenues prior to 1939 was taken chiefly from the Commerce Clearing House publications, *Retail Sales Taxation*, by Neil H. Jacoby (1938), which deals with the early history and the principles of sales tax legislation; and *Sales Tax Laws* (1936), a compilation of sales tax legislation in effect February 1, 1936.

No State can be said to have imposed a general sales tax solely for the purpose of financing old-age assistance. The needs of various assistance programs were, however, an important consideration in the adoption of sales taxes in some of the States earmarking such taxes for old-age assistance in 1949, and perhaps in other States levying sales taxes not earmarked for public assistance.

As of 1949, seven States earmarked general sales or sales and use taxes, and one other State earmarked use taxes for old-age assistance. These taxes were earmarked by all eight States not only for old-age assistance, but also for other welfare programs. As you know, expenditures for old-age assistance greatly exceed those for any of the other assistance programs. Only 4 of the 8 States earmarked all revenues from sales taxes for welfare programs.

For Welfare Only	*For Welfare and Other Functions*
Colorado	Kansas
Louisiana	New Mexico[1]
Oklahoma	North Dakota
Utah	Tennessee

In addition to these eight, 19 States, Alaska and Hawaii had general sales or sales and use taxes in 1949. Except for Hawaii, these States financed public assistance entirely or partly from the general fund. General sales taxes, which often constitute a substatnial segment of total State tax collections, were undoubtedly important in the financing of old-age assistance in many States not specifically earmaking such taxes for assistance. Among the 7 States earmarking general sales taxes for old-age assistance in 1949, 4, Colorado, North Dakota, Oklahoma, and Utah, had first enacted sales tax legislation before the Social Security Act was passed. Two of these 4 States (Colorado and North Dakota) provided States funds for old-age assistance under State laws prior to the passage of the Social Security Act.

According to the original sales tax legislation, the revenues were allocated entirely to the emergency relief fund in Colorado (1935) and in Utah (1933), and partly to the public welfare fund in North Dakota (1935). State funds for old-age assistance were provided from these funds in Colorado and North Dakota in 1935. In Oklahoma, the original sales tax legislation (1933) assigned the revenue to the support of the school system, but Oklahoma and Utah assigned sales tax revenue to welfare programs, including old-age assistance, at least as early as 1937.

Kansas enacted its first sales tax legislation in 1937 at approximately the same time that Federal funds for the special types of public assistance were granted to the State under the Social Security Act; part of the sales tax revenue was allocated to old-age assistance and other welfare programs.

The first sales tax legislation in Louisiana was effective from October 1936, through December 1940, and a part of the revenues was earmarked for old-age assistance and other welfare purposes. Under the provisions of new legislation imposing a 1 per cent sales tax effective in September 1942, some revenues were earmarked for old-age assistance and general assistance for the fiscal years 1943 and 1944 only, although the tax continued in effect. At the time the Louisiana sales tax rate was raised to 2 percent in July 1948, all revenues from

[1] Use tax earmarked entirely for old-age assistance; sales tax not earmarked for any welfare programs.

this source was earmarked for the special types of public assistance and other welfare programs. At the same time, the assistance programs, especially old-age assistance, were greatly expanded.

New Mexico, which in 1935 levied a sales tax earmarked for schools, first imposed a use tax in 1939 and allocated its proceeds entirely to old-age assistance and other welfare purposes; receipts from the use tax presumably make up only a small part of total revenues from sales and use taxes.

Tennessee first passed general sales tax legislation in June 1947 and earmarked for old-age assistance, aid to dependent children, and aid to the blind, 10 per cent of the first $20,000,000 collected each year.

3. *Provision of Medical Care*

Your third question concerns State financial participation in the provision of medical care to old-age assistance recipients. Most State agencies administering old-age assistance have recognized medical care as one of the requirements that should be met for aged recipients, and have made some attempt to supply such services. As you know, there is great variation among States and among localities within States in the extent to which the costs of medical services are met through assistance funds. The latest comprehensive information on operation of the program in 20 States is included in a series of reports, issued (by this Bureau) as Public Assistance Report No. 16, Part I, Medical Care in Public Assistance, 1946.

(a) What States, as of the latest date available, attempt to budget medical costs in monthly assistance payments?

In 39 States, amounts for medical services may be included in the budgets for recipients who need medical attention. Some States provide most of the medical services required by aged individuals, although there may be limitations on the circumstances under which some services are provided. In other States, with limited financial resources, amounts may be included in the assistance payment for only one or two types of care. It is difficult to classify the 39 States to show those that are operating a fairly comprehensive medical assistance program and those in which a medical assistance program as such can hardly be said to exist. Possibly 10-12 States, mostly in the South fall in the latter group. The following examples indicate the limitations in a few States on types of services for which amounts may be included in money payments to recipients:

South Carolina—Only drugs except in a very few unusual circumstances.

Georgia—Only nursing services in recipient's own home or in a private institution.

Florida—Drugs and nursing services only.

Arkansas and Oklahoma—Drugs only.

Some of the other States that provide little medical assistance include a wider range of services among those that may be supplied but limitations on funds for old-age assistance and maximums on payments restrict the program.

Most of the other States that make money available to recipients to pay for medical care provide a relatively wide range of services. In practically all States, however, a part of the cost is met through vendor payments to suppliers of medical services. Some agencies have found it preferable to pay hospitals directly and under certain circumstances to make vendor payments for other services. Such payments may be made on behalf of recipients who are very ill or who for other reasons are unable to manage their own affairs. In States with maximums on payments, the amount of medical costs that may be met within the maximums is limited and the balance of the bill is frequently met

by payments to vendors. In some States payments above the usual maximums are met from funds appropriated for old-age assistance; in other States general assistance funds are used. In a few States, the methods of payment and source of funds differ by type of medical case.

The following State situations illustrate the variations in payment method among States providing a relatively wide range of services.

Illinois—Hospital costs are met by vendor payments; usually money for other medical services is made available to recipients; payments to cases with medical needs may exceed the usual maximums on individual payments.

Minnesota—All costs up to the Federal maximum on individual payments are met through money payments to recipients; county agencies may make either money payments to recipients or vendor payments from old-age assistance funds for the balance of the cost.

Connecticut—Vendor payments are made for all hospital and clinic care and for drugs and public health nursing services; money to pay for other services is included in assistance payments to recipients.

Indiana—Each county develops its own plan for medical assistance, subject to State agency approval; some counties meet all costs through money payments to recipients while others pay vendors for all services. We believe, however, that both methods are used in most counties.

Iowa and Oregon—In these States amounts are included in the budgets for cases with chronic illnesses requiring fairly regular medical attention; medical costs for other cases are met by payments to vendors, such payments being made from general assistance rather than old-age assistance funds.

Eleven States do not meet medical costs through money payments to recipients but in most of these States medical care is one of the recognized needs of recipients and services are provided either through another agency or through vendor payments from assistance funds. The States may be grouped as follows:

(1) District of Columbia and Maryland
Medical services for recipients of assistance and other needy persons are provided under programs administered by public health rather than public assistance agencies.

(2) Pennsylvania, Washington, West Virginia and Wyoming
In these States all payments for medical services are made by the assistance agencies directly to physicians, hospitals and other suppliers of service.

(3) Kentucky, Idaho, Maine and Mississippi
In these States amounts for medical care are not included in the budgets for aged recipients. The cost of some care may be met through vendor payments from general assistance funds but we believe that funds available for this purpose are meagre. In Maine, however, some hospital costs are met under a State "hospital aid" program.

(4) In Colorado individual budgets are not prepared. Payments to recipients are determined by subtracting any income the recipient may have from a flat amount that is the same for all recipients. Recipients may pay small medical bills from their assistance payments or other income they may have, but rely on general assistance funds or public hospitals to supply expensive types of care.

(*b*) What States make payments to recipients for medical costs above the $50 federal participating maximum?

Table I of a recent Federal Security Agency release, "Assistance payments under State-Federal Programs, September 1949," shows maximums on payments

for old-age assistance in September 1949 and identifies the States in which payments above the usual maximums may be made to recipients with medical needs. States omitted from the table do not have maximums on individual payments.

Even in some States with no maximums on payments a part of the medical bill is met through vendor payments. For further discussion on this point we refer you to an article on "Vendor payments for medical assistance" that will appear in the June issue of the *Social Security Bulletin.*

(*c*) What States make contractual arrangements and pay the vendors of medical care directly, either on a capitation or on an agreed fee-for-service basis?

Ordinarily assistance agencies do not enter into formal contracts with suppliers of medical services. The agencies usually have informal agreements with regard to services to be supplied and unit costs for services. Fee schedules for physicians are frequently developed in co-operation with the county medical society or representatives of the society. Individual physicians may or may not choose to provide services under the agreement. Similar fee or cost schedules may be developed in co-operation with dentists, hospitals, and other groups. These fee or costs schedules determine the amounts which the agency will pay vendors directly for services or the amounts to be included in the budgets for individual recipients to permit them to pay for services received.

Not all agencies have developed fee and cost schedules. Some agencies have developed such schedules for the types of services most frequently provided but pay for other goods or services on an "as charged" basis on a bargaining basis.

The State agency may or may not specify types of services to be provided by the local agencies, maximums on costs, or methods the local agencies are to follow in developing fee or cost schedules.

Washington is the only State paying for medical services on a capitation basis in all counties in the State. Under the prepayment plan in operation in that State, each local assistance agency pays to the county medical bureau $2.50 a month for each person receiving assistance. The medical service bureaus supply all physicians' services including services by surgeons and other specialists, and all diagnostic X-ray and laboratory procedures. The agency pays vendors directly for drugs, hospitalization and other services not supplied under the contract with the medical service bureau.

A few counties in Kansas meet the cost of some services through a prepayment plan but usually an amount to pay the monthly premium is included in the money payment to the recipient of old-age assistance. (See Public Assistance Report No. 16, part 1, No. 19).

In Wyoming most counties employ county doctors who supply physicians' services for all recipients. A few counties also have contracts with hospitals that agree to provide hospitalization for needy cases referred by the assistance agency. A few scattered counties in other States pay for some services on a contract basis and a few employ physicians paid on a salary basis.

SUPPLEMENTARY SUBMISSION BY THE CANADIAN MANUFACTURERS' ASSOCIATION

To the Chairman and Members of the
Joint House of Commons-Senate Committee
Committee on Old Age Security:

Sirs,

As arranged, the Canadian Manufacturers' Association now advises you of the action taken at the 79th Annual General Meeting on May 25-6-7, with respect to the Brief submitted to your Committee on April 30.

Following the appearance of our representatives before your Committee on May 15, the Industrial Relations Committee of the Association gave careful consideration to the suggestion put forward by one of your members in connection with the last sentence in Section 5 of our Brief (Page 12). As a result, it was decided to recommend to the Association at its Annual General Meeting that this Section be amended by striking out all the words after the word "reduced" in the sixth line from the top of the said Page, thus implementing in full your member's suggestion.

The Brief was accordingly put before an exceptionally well-attended "Conference" on "Pensions, National and Industrial", held on May 25, with a motion that it be endorsed by the said Conference, subject to the above-stated amendment. After a full discussion in which many of the outstanding industrialists of our Country took part, the Motion was passed with but one dissenting vote. This Conference Motion was then placed before the final Plenary Session of the Annual General Meeting, held on Saturday, May 27, and at this time, was *unanimously* approved. Our Association having thus gone on record as strongly endorsing our representations to your Committee, you may Sirs, consider that the C.M.A. Brief which you have before you, as above amended, speaks with the voice of our 6,417 members, large and small, representative of every Province in Canada.

In the discussions at our Annual General Meeting, and in the continuing study which is being given this whole matter by our Industrial Relations Committee, several points were brought out which we felt might be of interest to your Committee. For your convenience, we are tying these in to the numbered Sections of our April 30th brief. They are:

Section 1—Coverage—sub-section (*a*)
and
Section 2—Financing of Plan—sub-section (*a*)

When dealing with the question of the coverage of self-employed persons (exclusive of farmers) and the collection of contributions from the same, I stated before your Committee on May 15—see page 727 of "Minutes of Proceedings and Evidence"—that I did not know exactly *how* the U.S. proposed to go about this. I have since learned that they intend to make a slight revision in their regular Income-Tax Returns and have the self-employed person pay his pension contribution, calculated, at one and one-half times the regular employee's rate, on his *net* earnings up to a certain specified ceiling—annually when he pays his Income Tax. Those self-employed persons not in the Income Tax bracket will be required to fill in the revised Return for their pension plan contributions only. The participation of such self-employed persons in the pension scheme will be compulsory.

Section 2—Financing of Plan—sub-section (*b*)

In connection with administrative costs and the suggestion made in the above-noted sub-section with respect to the integrating of the administration of our proposed contributory pension plan with that of one or more of the existing "Social Security" measures, we received the complete endorsation of our meeting. In addition, many of our members who serve on special Committees of the Association having to do with Unemployment Insurance, and who are thus familiar with the detailed and intricate system of individual records maintained by that Commission strongly supported the statements made by me before your Committee—see pages 735 and 736 of the Minutes—with reference to the possibility of the said organization assuming the administration of our plan and doing so with but a small increase in their clerical staff.

Section 2—Financing of Plan—sub-section (*c*)

The same group of members to whom reference is made in the immediately preceding paragraph, having had some experience with "pressures" in respect of the Unemployment Insurance reserves, are wholly in accord with our suggestion *re* a modified pay-as-you-go method of financing. In this respect therefore, we accept the role allocated to us by one of your members—page 737—of "protectors of politicians against pressures".

Section 3—Benefits—sub-section (*a*)

There was complete agreement in our sessions that a "flat" or uniform pension would not be satisfactory to the great majority of Canadians. A graded pension, on the other hand, offers just one more incentive to the individual to try to improve his station in life—his earning power and consequent income—during his working years. If the man who works his way up to a $3000 a year job and holds it until his retirement, is going to be cut back when he does retire to the same status and standard of living as the man who was content to "coast along" at $1,800 or $2,000, that particular incentive is destroyed.

In this connection, it will not have escaped the notice of your Committee that Canada already has a very fine precedent for our proposed graded pension plan in the Federal Government's retirement pension plan for all its Civil Servants.

Section 3—Benefit—sub-section (*c*)

You will recall the discussion which took place on May 15—see page 737 and 738 of the "Minutes—with respect to "Minimum Pensions". At that time, I endeavoured to explain to your Committee why I did not feel that our Association, nor indeed any non-Governmental body, was competent to "spell out" what the amount of such minimum pension should be. At its Annual Meeting, the Association approved my stand in this respect and decided further that, as the question of the *method* of financing such minimum pensions is obviously directly related to this cost factor, the choice of the method was also a matter somewhat beyond our purview. The "further representations" mentioned in the third paragraph of this sub-section will not therefore be made. It goes without saying, however, that should the Association be able to assist you in any way in preparing statistics or securing any other data having a bearing on this question, we shall be only too pleased to do so.

Section 4—Pensionable Age.

We repeat the offer made in the last paragraph of this Section of our Brief—see page 11.

Section 5—People should be encouraged to work after whatever retirement age is fixed.

As previously stated, this Section has been amended to make the last sentence thereof now read as follows:—

> To this end, no contributions should be required from them in respect of such work and their pensions should not be reduced.

Your Committee will recall that in our April 30th Brief, we made reference to the necessity, when fixing rates of contributions, scales of pension benefits, etc., of keeping clearly in mind "the basic differences between the national income and wage rates of Canada and of other countries whose pension experience may have been studied by your Committee, to the end that the additional financial burden imposed upon the country's economy may be borne without danger thereto, or impairment of other vital national services". In connection with this, there has come into the hands of our Committee within the last few days, an interesting set of charts or graphs dealing with some of these "basic differences" as between Canada and the United States. In the hope that these may be of interest and of assistance to your Committee in its very important task, we are forwarding copies of them herewith, together with short explanatory notes indicating in each case the significance of the graph in connection with the question of old age pensions policy.

Reference was made also in our Brief to the desirability of stimulating self-reliance and independence—in other words of encouraging more people to make more and better provision for their own "Old Age Security", thus keeping such persons out of the ranks of eventual claimants of pensions, and reducing the burden on the State. Considerable discussion took place on this point and many of our members feel that it should be suggested to your Committee that, as a corollary to your deliberations with respect to pensions, you might consider what steps, if any, could be taken by the Government to encourage and assist people to keep out of the pension claimant class. One method which has been suggested is to extend to the private purchaser of annuities, either Governmental or Insurance Company type, the same privilege now enjoyed by employees participating in an industrial pension plan, i.e., of having their annual payments in purchase of this protection allowed as deductions from Income Tax, the annuity when received being treated as income.

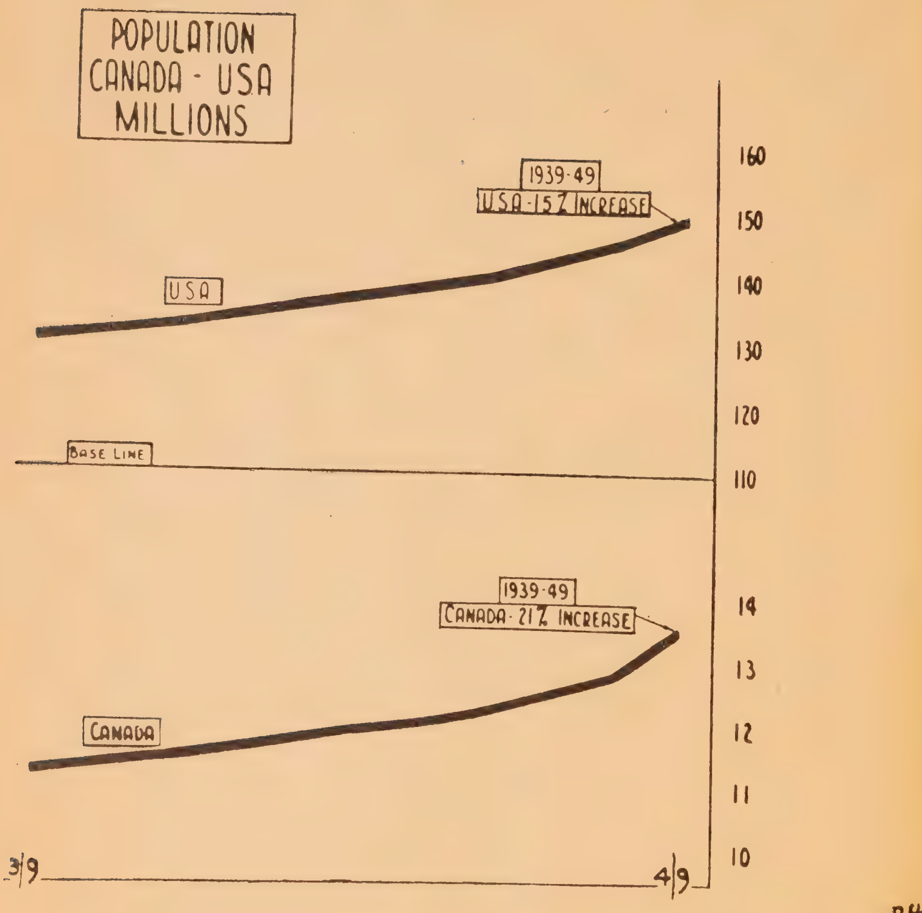
Again assuring you—and this time as the official voice of our entire Association—of our desire to assist you in any way possible in your study of this most difficult and complicated problem, we are,

Sincerely Yours,

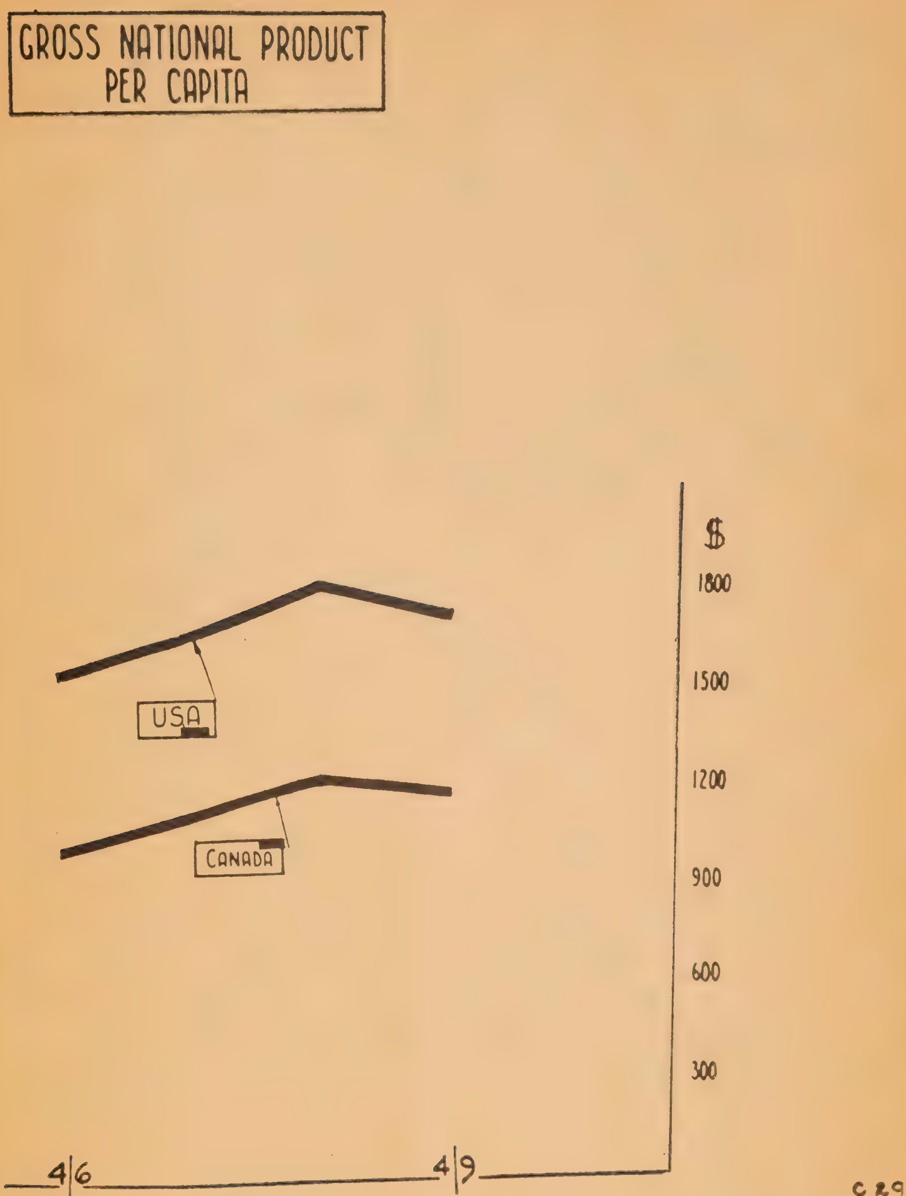
CANADIAN MANUFACTURERS' ASSOCIATION (INC.)

Toronto, Ontario,
June 9, 1950.

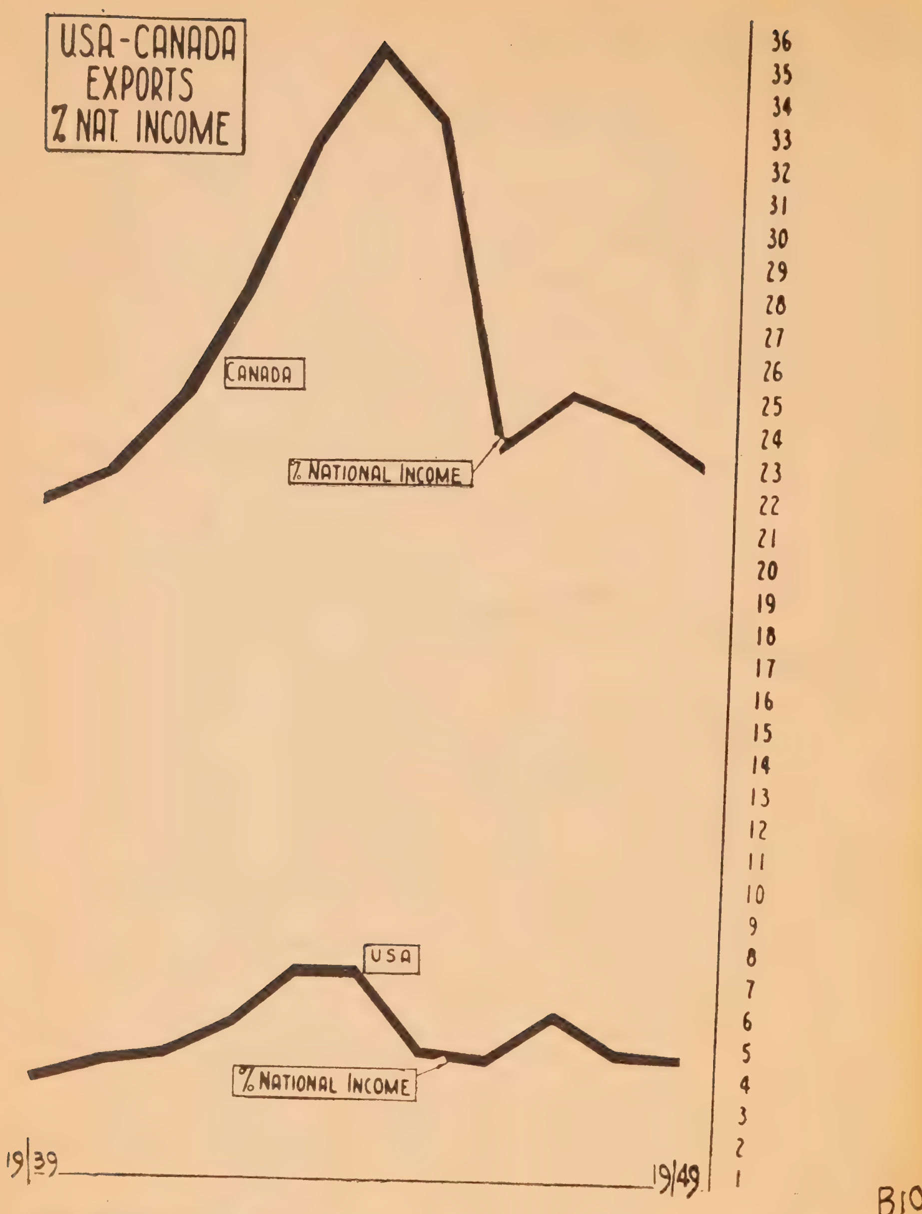
G. K. Sheils,
Chairman,
Industrial Relations Committee.



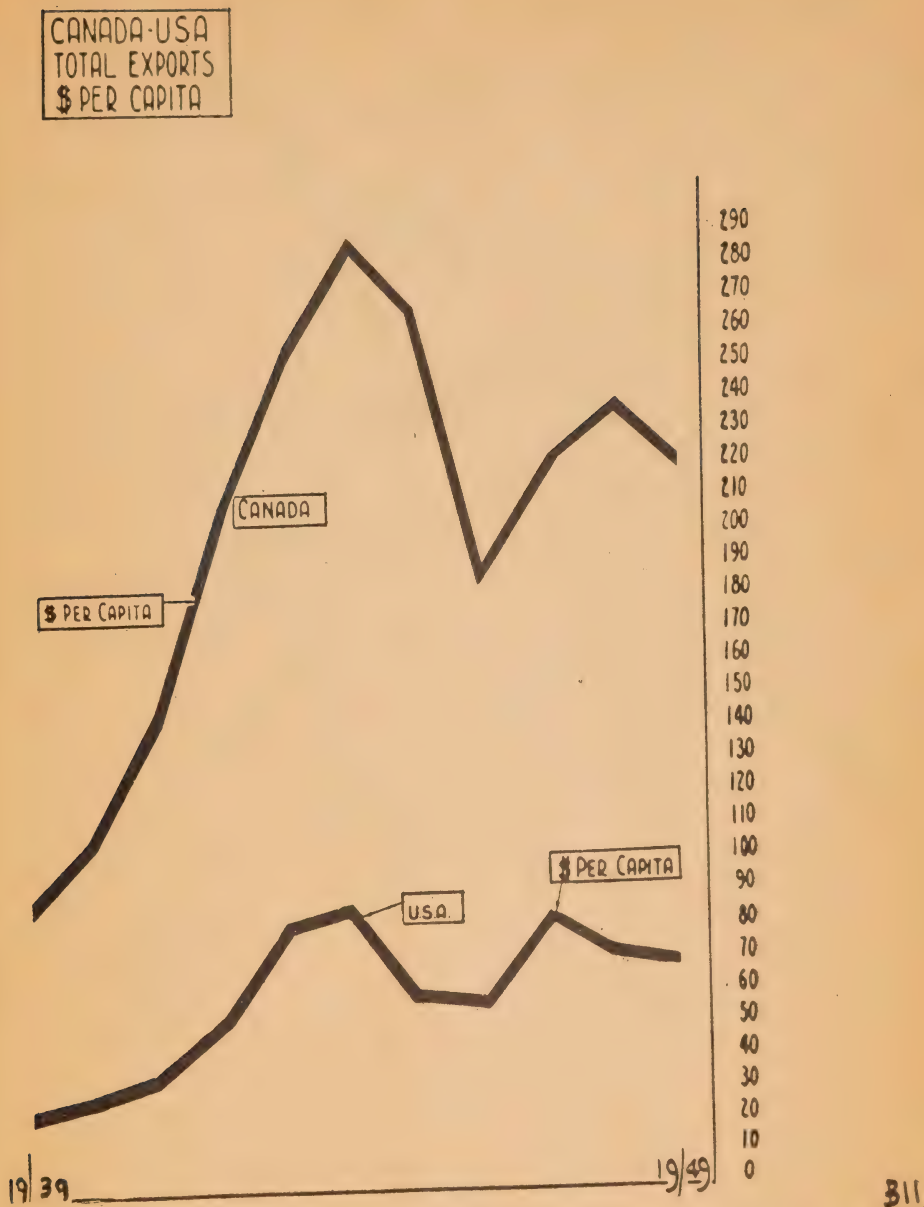
This chart illustrates one very important difference between Canada and the U.S.—the relative sizes of the two populations. While percentagewise our population has grown somewhat more rapidly than that of the U.S. since 1939, at the end of 1949 it was still only 1/11th the size of that of our great neighbour.



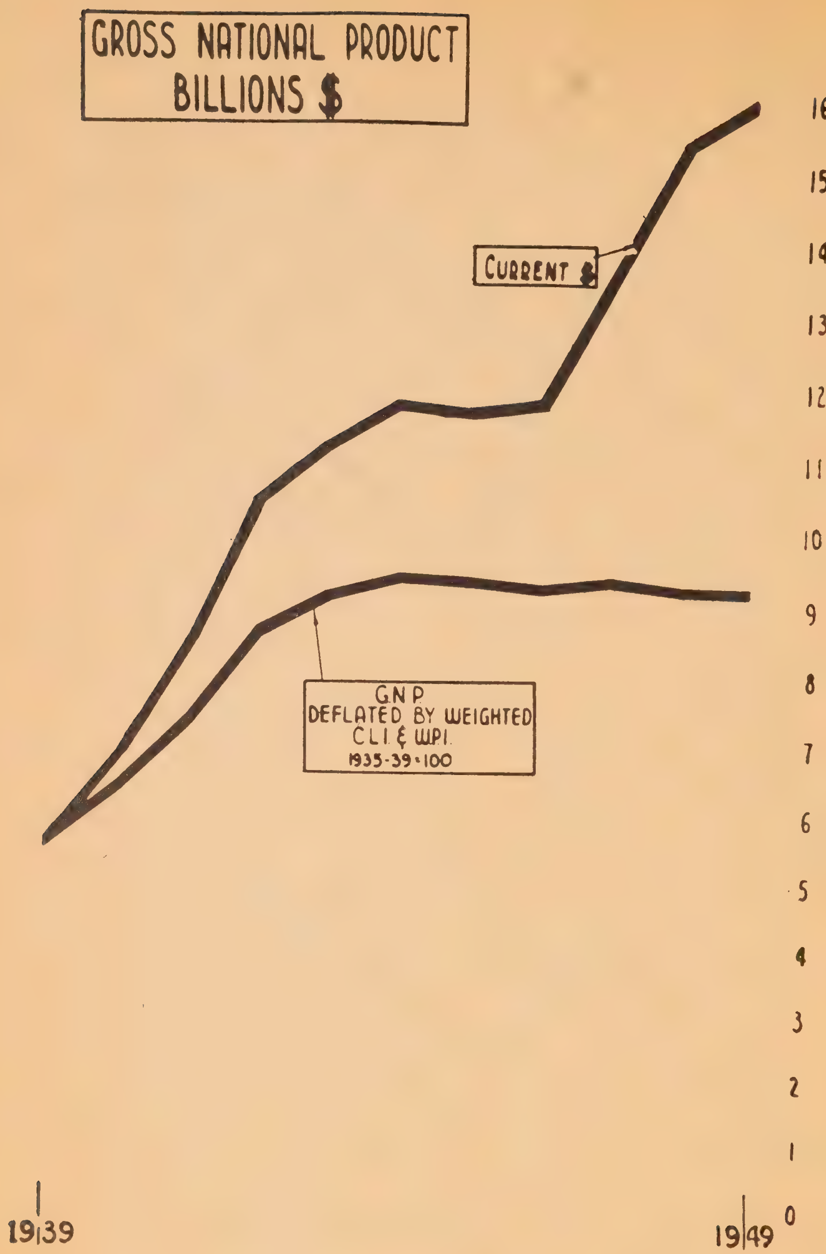
If the differences between the Canadian and U.S. dollars are ignored, then this chart shows the second great divergence between the U.S. economy and our own. It will be seen that U.S. production of goods and services per capita in U.S. dollars in 1949 amounted to $1705; and that the Canadian production of goods and services in Canadian dollars in the same year was only $1170. This represents a difference in favour of the U.S. of $535, or 45%.



This chart illustrates what is perhaps the most important difference between the U.S. and Canadian economies—viz., the difference in the contribution which exports make to the respective National Incomes. It will be seen that whereas the contribution of U.S. exports to U.S. National Income in 1949 was less than 5%, the contribution of Canadian exports to Canadian National Income in 1949 was more than 23%. This means that the pricing of Canadian products out of the world market as a result of too drastic an increase in costs would have a much more serious effect upon our economy than a similar occurrence would have upon the U.S. economy.

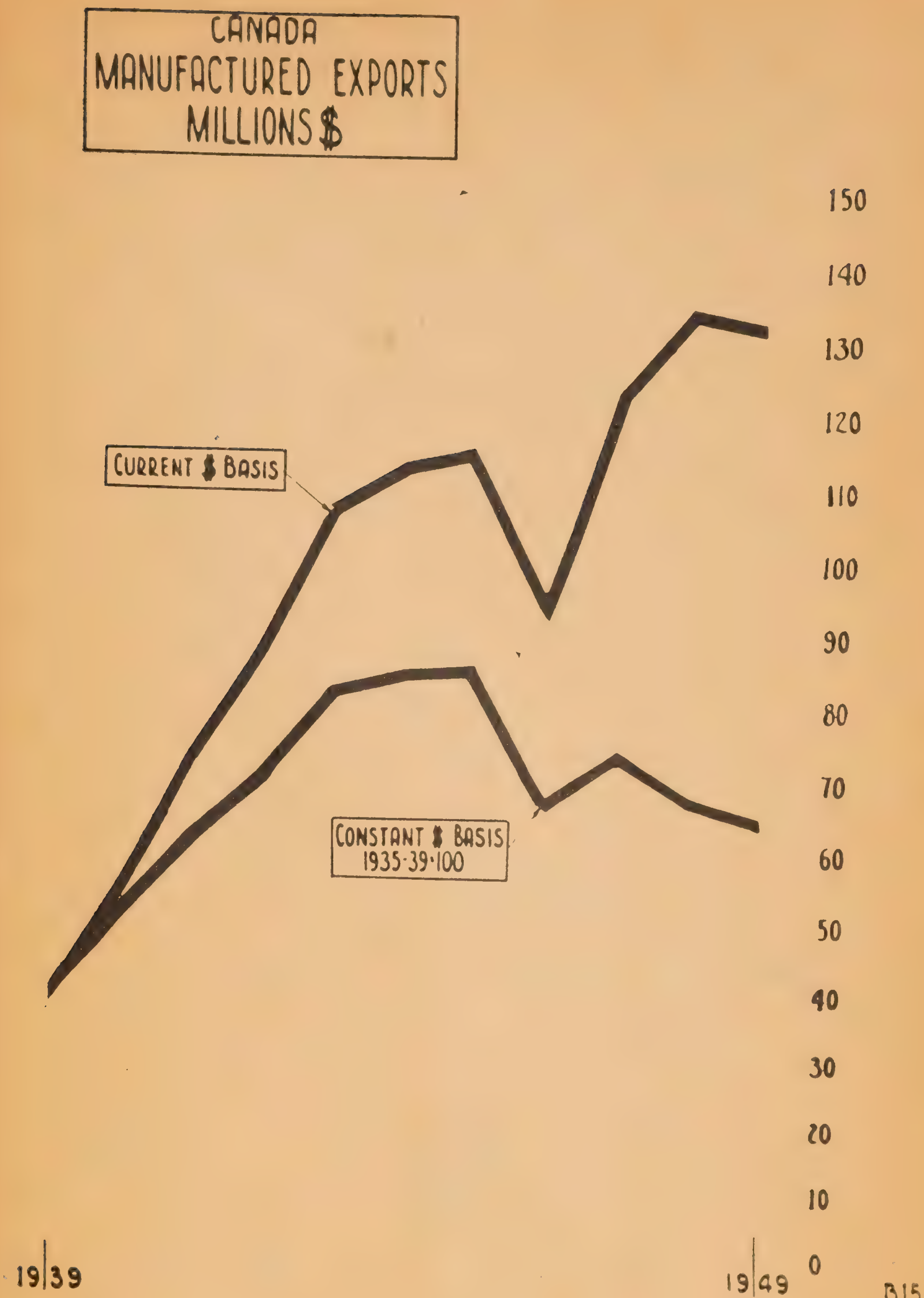


This chart shows that the value of Canadian exports per capita in Canadian dollars in 1949 was more than three times the value of U.S. exports per capita in U.S. dollars in the same year. This is a very dramatic demonstration of the uniqueness of the Canadian economy, and the need for care lest our ability to sell our surpluses in the world market be curtailed or destroyed.



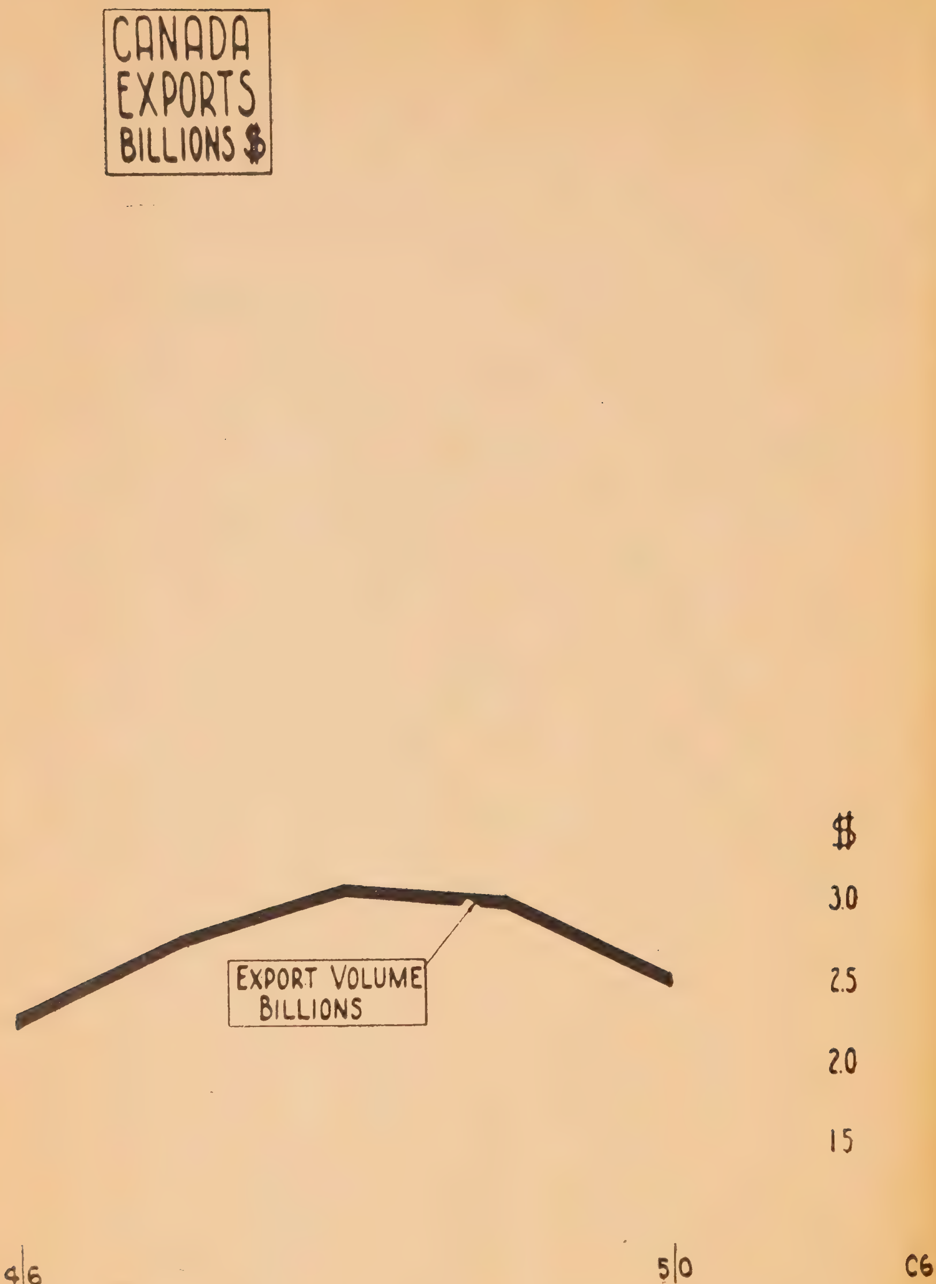
B14

This chart illustrates the current and constant (i.e. 1935-39) dollar value of our Gross National Product as referred to by Mr. Abbott in his budget speech of March 28, 1950 (*Hansard* Page 1206). The chart shows that despite an increase in population of some 21% between 1939 and 1949, and a very large increase in capital investment in plant and equipment, there was no commensurate increase in the physical volume of goods and services (Gross National Product) produced by Canadians in that period.



This chart shows that while the annual current dollar value of Canadian manufactured exports rose considerably between 1939 and February 1950, their constant (or 1935-39) dollar volume has declined pretty consistently since 1944. In other words, the physical volume of manufactured exports (i.e the current dollar value divided by the General Wholesale Price Index) has not increased as the crude current dollar figures would indicate.

Two questions arise: "What effect have rising Canadian prices had upon this movement?" and "How has increased industrial self-sufficiency of the markets concerned affected our future ability to do business with them?"



This chart shows that even in current dollar terms our export trade has tended steadily down since 1948. The effect of this falling off upon an economy in which three out of each eight members of the working force depend upon the condition of our export industries for their livelihood can be readily understood. Hence anything such as too drastic an increase in costs which might contribute to a further decline in th ecurrent dollar value of our exports should certainly be avoided.

OFFICE CONSOLIDATION, 1950

Not to be regarded as an official compilation of the law

OLD AGE PENSIONS ACT

Chapter 156, Revised Statutes of Canada, 1927

As amended by—

21-22 George V, Chapter 42 (1931)
1 George VI, Chapter 13 (1937)
11 George VI, Chapter 67 (1947)
13 George VI, Chapter 19 (1949)

THE OLD AGE PENSIONS REGULATIONS APPROVED
BY ORDER IN COUNCIL P.C. 1860
DATED APRIL 29, 1948

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
KING'S PRINTER AND CONTROLLER OF STATIONERY
1950

CHAPTER 156

An Act respecting Old Age Pensions

SHORT TITLE

1. This Act may be cited as the Old Age Pensions Act. Short title.

INTERPRETATION

2. In this Act the expression Definitions.

(*a*) "pension authority" means the officer or body charged by law with the consideration of applications for pension or with the payment of pensions; "Pension Authority."

(*b*) "pension" means a pension payable in accordance with this Act and the regulations hereunder; 1937, c. 13, s. 1. "Pension."

(*c*) "pensioner" includes an applicant for a pension; "Pensioner."

(*d*) "province" includes the Yukon Territory, in respect to which "Gold Commissioner" shall be read for "Lieutenant-Governor in Council"; "Province."

(*e*) "statute" includes ordinance or order having the force of law; "Statute."

(*f*) "child" means a son or step-son who has not attained the age of sixteen years and a daughter or step-daughter who has not attained the age of seventeen years, and a son, step-son, daughter or step-daughter who, having attained one or other of the said ages but not having attained the age of twenty-one years, is prevented from earning a livelihood by reason of physical or mental incapacity; 1937, c. 13, s. 2. "Child."

(*g*) "Minister" means the Minister of National Health and Welfare; 1947, c. 67, s. 1. "Minister."

(*h*) "regulation" means a regulation made under this Act; 1947, c. 67, s. 1. "Regulation."

(*i*) "unmarried person" includes a widow, a widower, a divorced person and a married person who in the opinion of the pension authority is living separate and apart from his spouse. 1947, c. 67, s. 1. "Unmarried person."

AGREEMENTS WITH PROVINCES

3. (1) (*a*) The Minister, with the approval of the Governor in Council, may make an agreement with any province for the quarterly payment to such province of the total of the amounts the Government of Canada is under sections eight and eight A of this Act authorized to contribute in respect of pensions paid during the preceding quarter by the province, pursuant to any provincial statute, to the persons and under the conditions specified in this Act and the regulations; 1947, c. 67, s. 2 Agreement with province re quarterly payments.

Terms of agreement.

(*b*) Subject to sections eight and eight A of this Act, in every agreement made pursuant to this subsection the province shall specify the maximum pension to be paid by the province and shall provide for the reduction of such maximum pension by the amount of any income received by a pensioner in excess of an amount of income to be specified in such agreement. 1947, c. 67, s. 2.

Examination and audit of accounts.

(2) The acceptance by any province of the moneys granted by Parliament for the payment of old age pensions shall be subject to the conditions that the Governor in Council shall have authority to order an examination, inspection and audit of all expenditures of such moneys in the province and the accounts with respect thereto, and that the province shall permit the inspection in such examination of all papers and documents relating to such payments. 1931, c. 42, s. 1.

When section comes into force.

(3) This section shall come into force on the thirty-first day of July, 1931. 1931, c. 42, s. 1.

Term of Agreements.

4. Every agreement made pursuant to this Act shall continue in force so long as the provincial statute remains in operation or until after the expiration of ten years from the date upon which notice of an intention to determine the agreement is given by the Governor General to the Lieutenant-Governor of the province with which the same was made.

Approval of administration scheme necessary.

5. Before any agreement made pursuant to this Act comes into operation the Governor in Council shall approve the scheme for the administration of pensions proposed to be adopted by the province, and no change in such scheme shall be made by the province without the consent of the Governor in Council.

Application of Act in N.W.T.

6. As soon as agreements under this Act have been made with two of the provinces adjoining the Northwest Territories, the Commissioner of the said territories may submit to the Governor in Council for approval a scheme for the administration and payment of pensions therein, and upon the approval of such scheme, the same shall stand, in all respects other than its duration, in the same position as an agreement with a province.

Payments to provinces on certificate of Minister.

7. All sums of money payable to any province in pursuance of any agreement made under this Act, shall be paid from time to time by the Minister of Finance on the certificate of the Minister out of unappropriated moneys in the Consolidated Revenue Fund, and all such payments shall be subject to and made under the conditions specified in this Act and the regulations. 1947, c. 67, s. 3.

Amount of Dominion contribution and persons pensionable.

8. (1) Pursuant to an agreement made with a province under section three of this Act, the Government of Canada will contribute in respect of each person in receipt of pension from such province an amount not to exceed seventy-five per centum of forty dollars monthly or of the amount paid by such province monthly, whichever is the lesser, for pension to each such person, if such person

(*a*) at the date of the proposed commencement of pension

(i) has attained the age of seventy years, and

(ii) has resided in Canada for the twenty years immediately preceding the said date or if he has not so resided, has

been present in Canada prior to such twenty years for an aggregate period equal to twice the aggregate period of absences from Canada during such twenty years, and

(iii) is not an Indian as defined by the *Indian Act;* and R.S., c. 98.

(*b*) is not in receipt of a pension pursuant to section eight A of this Act or an allowance under *The War Veterans' Allowance Act, 1946;* and 1946, c. 75.

(*c*) is Allowable income.

(i) an unmarried person and his income inclusive of pension is not more than six hundred dollars a year, or

(ii) married to and living with a sighted spouse, and the total income of such person and his spouse inclusive of pension is not more than one thousand and eighty dollars a year, or

(iii) married to and living with a blind spouse and the total income of such person and his spouse inclusive of pension, is not more than twelve hundred dollars a year. 1947, c. 67, s. 4; 1949, c. 19, s. 1.

2. The receipt of a pension shall not by itself constitute a disqualification from voting at any provincial or municipal election. Pensioners not to be disqualified from voting.

8A. Pursuant to an agreement made with a province under section three of this Act, the Government of Canada will contribute in respect of each person in receipt of pension from such province an amount not to exceed seventy-five per centum of forty dollars monthly or of the amount paid by such province monthly, whichever is the lesser, for pension to each such person, if such person Pensions to blind persons.

(*a*) at the date of the proposed commencement of pension

(i) is blind, and

(ii) has attained the age of twenty-one years, and

(iii) has resided in Canada for the twenty years immediately preceding the said date or if he has not so resided, has been present in Canada prior to such twenty years for an aggregate period equal to twice the aggregate period of absences from Canada during such twenty years, and

(iv) is not an Indian as defined by the *Indian Act;* and R.S., c. 98.

(*b*) is not in receipt of a pension pursuant to section eight of this Act, or a pension in respect of blindness under the *Pension Act,* or an allowance under *The War Veterans' Allowance Act, 1946;* and 1946, c. 75.

(*c*) is Allowable income.

(i) an unmarried person, without a dependent child or children, and his income inclusive of pension is not more than seven hundred and twenty dollars a year, or

(ii) an unmarried person with a dependent child or children, and his income inclusive of pension is not more than nine hundred and twenty dollars a year, or

(iii) married to and living with a sighted spouse and the total income of such person and his spouse inclusive of pension is not more than twelve hundred dollars a year, or

(iv) married to and living with a blind spouse, and the total income of such person and his spouse inclusive of pension is not more than thirteen hundred and twenty dollars a year. 1947, c. 67, s. 5; 1949, c. 19, s. 1.

Pensioner or spouse making assignment or transfer of property for purpose of qualifying.

9. (1) The contributions to be made by the Government of Canada pursuant to section eight or eight A of this Act in respect of a pensioner shall be subject to the condition that when it appears to the pension authority that any pensioner or his spouse has made an assignment or transfer of property for the purpose of qualifying the pensioner for pension or for a larger pension than he is otherwise entitled to, the pension authority shall

(*a*) defer the payment of pension until such property is re-assigned or transferred to the pensioner or spouse, as the case may be, or until such time as the value of the interest that the pensioner or the spouse had in such property is exhausted at a rate calculated in manner provided by regulation; or

(*b*) take into account in determining the amount of pension, if any, that such pensioner should receive, the income derivable from such property as if the assignment or transfer had not been made.

Recovery of payments by province.

(2) An agreement made pursuant to section three of this Act shall include an undertaking by the province that the pension authority will be authorized to recover out of the estate of any deceased pensioner, as a debt due by the pensioner, the sum of the pension payments made to such pensioner from time to time and such agreement shall specify the circumstances under which recovery of such debt shall be made but shall provide that no claim shall be made for the recovery of any such debt directly or indirectly out of any part of the pensioner's estate which passes by will or on an intestacy to any other pensioner or to any person who has, since the grant of such pension or for the last three years during which such pension has continued to be paid, regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which, having regard to the means of the person so having contributed, is considered by the pension authority to be reasonable.

Dominion Government deductions where province recovers payments.

(3) Notwithstanding anything in this Act, where a province recovers any pension payments from a pensioner or his estate, the Government of Canada may deduct from the amounts it is otherwise required to contribute under sections eight and eight A of this Act an amount that is in the same ratio to the amount so recovered as the total amounts contributed by the Government of Canada in respect of pension payments made by the province to that pensioner is to the total of such pension payments, and an agreement made pursuant to section three of this Act shall include an undertaking by the province that it will furnish to the Government of Canada quarterly reports of all amounts so recovered. 1947, c. 67, s. 5.

Payable monthly in arrears and during lifetime.

10. The pensions in respect of which the Government of Canada may contribute under this Act shall be payable monthly in arrears and during the lifetime of the pensioner, except that where a pensioner dies after the day on which his application is approved and it is shown to the satisfaction of the pension authority that any person has supplied goods or performed services for or on behalf of such pensioner

for which no payment has been made and for which payment can not otherwise be made, and the pension authority calculates the amount of pension from the time it would otherwise cease to be payable to the day of death, and pays the amount of pension so calculated to such person, the Government of Canada will contribute under this Act in respect thereof. 1947, c. 67, s. 6.

11. Application for pension shall be made to the pension authority of the province in which the pensioner is resident and an agreement made with a province under section three of this Act shall provide that the pension authority of such province will deal with such application in manner prescribed by regulation and, if satisfied that the pensioner is eligible therefor, may grant pension to such pensioner. 1947, c. 67, s. 6. Application to authority of Province where pensioner resides.

12. An agreement made with a province pursuant to section three of this Act shall provide that such province will pay the pension of any pensioner who transfers his permanent residence to that province. 1947, c. 67, s. 6. Transfer of permanent residence.

13. In an agreement made with a province pursuant to section three of this Act the province shall agree that where a pensioner, during the last one thousand and ninety-five days that he was present in Canada prior to reaching pensionable age or prior to making application for pension, whichever is the later, was present in such province for a greater number of days than in any other province, such province will reimburse any other province that is paying the pension, to the extent of twenty-five per centum of forty dollars monthly or of the amount of pension granted, whichever is the lesser. 1947, c. 67, s. 6; 1949, c. 19, s. 1. Reimbursement by province of residence.

14. Where the pensioner, after the grant of a pension, transfers his permanent residence to another province with which no agreement under this Act is in force, the pension shall continue to be paid by the province in which the pension was granted. And in other cases.

15. Where a pensioner, after the grant of a pension, transfers his residence to some place out of Canada, his pension shall cease, but his right thereto shall revive upon his again becoming resident in Canada. Effect of pensioner's leaving Canada.

16. No pension shall be subject to alienation or transfer by the pensioner, or to seizure in satisfaction of any claim against him. Pension not to be alienated or charged.

17. The Minister shall, as soon as possible after the termination of each fiscal year, submit a report to Parliament covering the operation for that year of the agreements made pursuant to section three of this Act and of the moneys of Canada paid to the province under each of the said agreements. 1947, c. 67, s. 7. Annual report to Parliament.

EVIDENCE

18. Any pension authority shall have the right for the purpose of ascertaining the age of any pensioner to obtain without charge, Obtaining evidence as to age of pensioner.

(*a*) from the registrar of vital statistics or other like officer of any province with which an agreement under this Act is in force a certificate of the date of the birth of such pensioner, or

(b) subject to such conditions as may be specified in the regulations made under this Act, from the Dominion Bureau of Statistics, any information on the subject of the age of such pensioner which may be contained in the returns of any census taken more than thirty years before the date of the application for such information.

REGULATIONS

Regulations.

19. (1) The Governor in Council may make regulations, not inconsistent with this Act, for carrying out the purposes and provisions of this Act, and without limiting the generality of the foregoing may make regulations providing for (1947, c. 67, s. 8.)

(a) the time preceding the attainment of pensionable age at which applications for pension may be made;

(b) the time at which, after application therefor, the payment of pension shall commence;

(c) the definition of residence and of the intervals of absence from Canada or a province by which residence therein shall not be deemed to have been interrupted;

(d) the evidence to be required or accepted by a pension authority in support of an application for pension;

(e) the manner in which the income of a pensioner is to be determined for the purpose of this Act and in particular the mode of reckoning the income of either one or two spouses who live together;

(f) the evidence from which the making of transfers of property for the purpose of qualifying for pension is to be inferred;

(g) the circumstances in which pensions may be paid for the benefit of persons supported or under treatment in public institutions;

(h) the mode in which pensions are to be payable;

(i) the time within which a pension voucher may be cashed;

(j) the persons by whom pension vouchers may be presented for payment;

(k) the circumstances justifying or requiring the suspension of the payment of a pension and the recommencement of its payment;

(l) the reports to be made by pensioners and others of events affecting the right to or the amount of a pension;

(m) the administration of a pensioner's property by a pension authority;

(n) the recovery with or without interest of pension payments made by reason of the non-disclosure of facts or by reason of innocent or of false representations;

(o) the time within which and the circumstances under which applications or proposals may be entertained for the increase or reduction of a pension which has been granted;

(p) the method of accounting and of the settlement of balances due by Canada to any province or by one province to another;

(q) the penalties to be imposed for breaches of the regulations, such penalties not to exceed a fine of fifty dollars or imprisonment for three months, or both fine and imprisonment;

(r) the constitution and powers of an interprovincial board to interpret and recommend alterations in the regulations;

(s) the interpretation of the expression "is so blind as to be unable to perform any work for which eyesight is essential"; 1937, c. 13, s. 4;

(t) the medical examination and other evidence necessary to establish that a person is so blind as to be unable to perform any work for which eyesight is essential; 1937, c. 13, s. 4;

(u) the definition for the purposes of this Act of the words "married," "unmarried," "widower," "widow." 1937, c. 13, s. 4.

(2) No regulation by reference to which any agreement with a province has been made shall be altered except with the consent of such province or in accordance with the provisions of the regulations to which it has agreed. **Alteration by regulations.**

20. All regulations made under this Act shall, from the date of their publication in the *Canada Gazette*, have the same force and effect as if they had been included herein. **When regulations come into effect.**

2. Such regulations shall be presented to Parliament forthwith after their publication if Parliament is then sitting or, if not, within fifteen days from the commencement of the session beginning next after such publication.

The Old Age Pensions Regulations

Regulations made and established by Order in Council, P.C. 1860 dated April 29, 1948, under the authority of the Old Age Pensions Act, Chapter 156, Revised Statutes of Canada, 1927.

Part I

General

Short Title

1. These Regulations may be cited as The Old Age Pensions Regulations.

Interpretation

2. (1) In these Regulations, unless the context otherwise requires,

(*a*) "Act" means the Old Age Pensions Act:

(*b*) "application" means application for a pension in the form prescribed by the pension authority and as required by these Regulations;

(*c*) "applicant" means a person who is resident in Canada and who makes application for a pension, and who, in the case of an applicant for an old age pension, alleges that he has reached the age of sixty-nine years and six months, or, in the case of an applicant for a pension in respect of blindness, alleges that he has reached the age of twenty years and six months and that he is blind;

(*d*) "lodge" means to be present in person;

(*e*) "self-contained domestic establishment" means a dwelling house, apartment, or other place of residence in which the applicant or his dependent ordinarily sleeps and has his meals and which contains at least one bedroom;

Provision as to Notices

3. (1) Any notice or other document required or authorized to be sent or delivered for the purpose of these Regulations shall be in writing.

(2) Any notice or other document required or authorized to be sent or delivered to any person by the pension authority for the purpose of these Regulations shall be deemed to be duly sent or delivered at the time at which the notice or document is posted to that person at his ordinary address.

Application

4. (1) Application shall be deemed to have been made only when an application completed by the applicant (or, where the pension authority is satisfied that the applicant is unable to complete the application on account of physical infirmity or mental illness or for any other valid reason an application completed by some responsible person on behalf of the applicant) is actually received in the office of the pension authority for the province in which the applicant is resident.

(2) Without restricting the right of the pension authority to prescribe the form or contents of an application, an application shall state:

(*a*) the full name of the applicant including, in the case of a married woman, her full maiden name, and, in the case of an applicant who has changed his name, the name before such change was made;

(*b*) the present address of the applicant, place and date of birth (including the place and date of birth of the spouse) and place or places of residence during the twenty years preceding the date of application;

(*c*) particulars as to the sex and marital status of the applicant including, in the case of a blind, unmarried person with a dependent child or children, the names and ages of such children and, in the case of a married person, whether such person is living with his or her spouse and whether such spouse is sighted or blind;

(*d*) the occupation, income and means of subsistence of the applicant and spouse;

(*e*) particulars of any real or personal property owned by the applicant or spouse at the date of application, and particulars of any personal property exceeding the total value of five hundred dollars and of any real property which the applicant or spouse transferred to any person or persons within the five years preceding the date of application.

(3) The application shall be supported by a statutory declaration of the applicant or person making application on behalf of the applicant to the effect that all the statements in the application are true to the best of his knowledge and belief and that no information required to be given has been concealed or omitted.

(4) Every pension authority shall supply, without charge, a form of application to any person who desires to make an application and, if so requested, shall give all information and assistance in completing the application; such form of application shall include a quotation of subsections five and six of this section.

(5) No person shall knowingly obtain or receive a pension that he is not under the Act and these Regulations authorized to obtain or receive and no person shall knowingly aid or abet another person to obtain or receive a pension that such other person is not under the Act and these Regulations authorized to obtain or receive.

(6) Every person who violates subsection five of this section is guilty of an offence and liable on summary conviction to a fine not exceeding fifty dollars or to imprisonment for a term not exceeding three months or to both such fine and imprisonment.

Investigation of Claims

5. (1) The pension authority shall, in respect of each application, cause an investigation to be made into the facts and circumstances as therein set out and such other matters as may be necessary to determine the eligibility of the applicant for a pension and, if the applicant is so eligible and such investigation was made not sooner than four months before the date of the proposed commencement of the pension, shall determine the rate of pension payable and shall thereupon approve the application accordingly.

(2) Where an application has been so approved and a pension is being paid, the pension authority shall, each year during the lifetime of the pensioner, cause an investigation to be made into the circumstances of the pensioner and the use to which the pension is being put to determine whether such pensioner continues to be eligible for pension and the amount thereof.

(3) Before altering the rate of pension being paid to the pensioner or before suspending or reinstating a pension which has been suspended, the pension authority shall cause an investigation to be made into the circumstances of the pensioner; provided that in any individual case the pension authority may, in lieu of such investigation, make such inquiry and obtain such information as it deems adequate.

(4) The reports of any investigation shall be filed with the application and shall be available at any time for inspection by officials of the Government of Canada.

(5) An investigation required by this section shall be made by an investigator in the employ of the pension authority or the provincial government or by any other agency recommended by the pension authority and approved by the Minister, and such investigator or a representative of such agency shall, in the course of such investigation, personally interview the applicant or pensioner as the case may be.

(6) All applications and accompanying documents received by any person other than the pension authority shall be forwarded to the pension authority and no person other than the pension authority shall approve or reject any application or alter the rate of pension.

Age

6. (1) For the purpose of enabling the pension authority to consider the eligibility of an applicant as regards age, the applicant shall forward to the pension authority a certificate of birth or of baptism, or, if neither certificate is obtainable, shall forward any other documentary evidence that he may have or be able to obtain from which his age may be determined.

(2) If the pension authority is satisfied that the applicant is unable to furnish satisfactory evidence as to his age as provided in subsection one of this section, the pension authority shall endeavour to obtain information from other sources and, in the case of an applicant who alleges he was born in Canada, the pension authority shall, if records for the period in question are available in the province where he alleges he was born, first request the registrar of vital statistics in that province to make a search for information as to his age.

(3) If the pension authority is unable to obtain information as provided in subsections one and two of this section it shall request the Dominion Bureau of Statistics to make a search of the census records for information as to the age of the applicant, subject to the following:

(*a*) a request for census information by a pension authority shall be made with the consent in writing of the person regarding whom the information is required;

(*b*) the specific locality (city, town, village, township or rural municipality) in which the applicant resided at the date of the census aforesaid shall be stated in the request; and

(*c*) any information supplied by the Dominion Bureau of Statistics shall be confidential and shall not be used for any other purpose than that of the administration of the Act.

(4) If, after thorough search and enquiry, the pension authority is unable to obtain from the applicant, or elsewhere, sufficient evidence as to his age in accordance with subsections one, two and three of this section, it may take into account such evidence as it may be able to obtain for the purpose of establishing the age of the applicant.

(5) Notwithstanding anything in this section the pension authority shall not be bound to accept any document or evidence as final and conclusive of the facts therein given or contained and any document or evidence submitted to or obtained by the pension authority as proof of age shall be rebuttable at any time.

Marital Status

7. For the purpose of enabling the pension authority to consider the eligibility of an applicant as regards marital status, the pension authority may accept a certificate of marriage or, if no such certificate is procurable, such other evidence as it deems satisfactory.

Residence

8. For the purpose of enabling the pension authority to consider the eligibility of an applicant as regards residence in Canada or in a province, the pension authority may take into account, together with any other evidence that it may be able to obtain, a statutory declaration made by any reliable and disinterested person, other than the applicant, covering such facts as to which such person has personal knowledge.

9. (1) Intervals of absence of an applicant from Canada during the twenty years immediately preceding the date of the proposed commencement of pension which are of a temporary nature and which when totalled and averaged do not exceed sixty days per year shall be deemed not to have interrupted the residence in Canada of such applicant during such period. The provisions of this subsection shall not apply in respect of cases coming within the provisions of subsections (2), (3) and (4) of this section.

(2) If an applicant, while a resident of Canada, has temporarily absented himself therefrom for the purpose of engaging in

(*a*) employment on a ship or on a fishing boat;

(*b*) employment on trains running out of Canada operated by any railway company having its head office in Canada;

(c) seasonal employment, such as lumbering or harvesting, for not more than six months in any one year;

(d) employment by or as a representative of a Canadian firm or corporation, or while he was himself a member of such a firm;

(e) employment by the United Nations Relief and Rehabilitation Administration or by United Nations or one of its specialized agencies; or

(f) missionary work with any religious group or organization

and, at the termination of such employment, he returned to Canada, he shall be deemed to have continued to reside in Canada during such absence if, during the period thereof, he had in Canada a permanent place of abode to which, whenever he was absent therefrom, he had the intention of returning, or he maintained in Canada, a self-contained domestic establishment.

(3) If an applicant, while a resident of Canada, has temporarily absented himself therefrom

(a) while he was employed and paid by the Government of Canada, or by the government of any province; or

(b) during the first or second world war while he was a member of the forces of any country allied with Canada or was engaged in work in connection with the prosecution of any such war for Canada or its allies

and at the termination of his duties abroad he returned to Canada he shall be presumed to have continued to reside in Canada during such absence.

(4) An applicant who is a married woman or a widow and who was absent from Canada with her husband while he was absent from Canada in any of the circumstances provided for by subsection two or three of this section, shall, during the period of such absence with him, be deemed to have continued to reside in Canada during such absence.

Income

10. In determining income for the purpose of the Act the pension authority shall in each case take into account the amount or value of all income and contributions received, whether in cash or in kind, other than—

(a) mothers' allowances paid pursuant to provincial legislation;

(b) family allowances paid pursuant to the Family Allowances Act, 1944;

(c) cost of living allowances or supplemental allowances paid by any province to persons in receipt of pensions under the Act;

(d) pay allotted or assigned by a member of the naval, military or air forces of Canada, serving on active service, where no dependents' allowance has been awarded in respect of the pensioner or the spouse of such pensioner;

(e) direct relief in an amount considered reasonable by the pension authority if paid out of moneys provided only by the municipality or the province in which the pensioner resides, or by both;

(f) casual gifts of small value;

(g) contributions other than for ordinary maintenance to pensioners who require special care; and

(*h*) any amount considered reasonable by the pension authority received by a pensioner in receipt of a pension in respect of blindness under the Act for the purpose of obtaining the services of a guide.

11. For the purpose of reckoning the value of the income received by a pensioner (or in the case of a married pensioner living with his spouse, by the pensioner and his spouse) from any interest in real or personal property, other than that specified in section ten of these Regulations, whether the pensioner or his spouse acquired the interest prior to making the application or subsequent thereto;

(*a*) the pension authority shall, in the case of real property,

(i) that is used exclusively as a residence or shelter by the pensioner, consider as income an amount that, in the opinion of the pension authority, is fairly equivalent to the amount that the pensioner might reasonably be expected to pay for rent, but in fixing such amount the pension authority may, in its discretion, deduct all or any part of the cost of maintaining such property other than any payment of principal on any mortgage or agreement for sale thereon;

(ii) that is not used exclusively as a residence or shelter by the pensioner, consider as income the net revenue that, in the opinion of the pension authority, such property should or might reasonably be expected to yield, and, if such property is revenue bearing, the pension authority may accept as the value of the income thereon the net revenue therefrom, after deducting reasonable and necessary expenses of maintaining such property, other than any payment of principal on any mortgage or agreement for sale thereon, if satisfied that such net revenue is fair and reasonable;

(*b*) the pension authority shall, in the case of personal property,

(i) where the pensioner is not living with a spouse, consider as income the amount of an Immediate Canadian Government Annuity, Ordinary Life Plan, payable monthly, purchasable with the proceeds of such personal property and calculated as of the actual age of such pensioner or seventy years, whichever is the lower;

(ii) where the pensioner is living with a spouse, consider as income in respect of each spouse the amount of annuity purchasable with the proceeds of the personal property of each spouse respectively and calculated as of the actual age of each or the age of seventy years, whichever is the lower;

(iii) the expression "personal property" as used in this section, shall, in the case of a pensioner not living with a spouse, mean personal property which exceeds two hundred and fifty dollars in value; and, in the case of a pensioner who is living with a spouse, means one-half the total value of the personal property jointly and severally owned by them, which exceeds two hundred and fifty dollars in value.

12. (1) Subject as in this section provided, where the pensioner could purchase an annuity with the proceeds of personal property but fails to do so, the amount of annuity calculated as provided in paragraph (*b*) of section eleven of these Regulations shall be considered as annual income during the life of the pensioner.

(2) Where the pension authority has obtained satisfactory evidence that the value of the personal property of the pensioner (or in the case of a married pensioner living with his spouse, of the pensioner and his spouse) has been reduced by payment of medical, nursing or hospital accounts for the pensioner or his spouse or funeral expenses of the spouse, the pension authority may, in its discretion, reduce the value of such personal property at that time by the amount of such accounts and recalculate the annual income as provided by paragraph (*b*) of section eleven of these Regulations.

(3) Where the pensioner while not in receipt of pension, utilizes personal property for living expenses for himself and his spouse, if any, the pension authority may, in its discretion, reduce the value of such personal property annually by an amount not in excess of the maximum income that such pensioner would otherwise be entitled to receive under the Act and, at the time pension is reinstated, recalculate the annual income as provided by paragraph (*b*) of section eleven of these Regulations.

(4) Where the pensioner or his spouse re-converts into real property for use exclusively as a residence or shelter by the pensioner, personal property derived from the sale of real property held at the time pension was granted, the pension authority may, in lieu of calculating as income of such pensioner the annuity value of the personal property so re-converted as provided in these Regulations, consider as income an amount that, in the opinion of the pension authority, is fairly equivalent to the amount that the pensioner might reasonably be expected to pay for rent therefor less any deductions therefrom that the pension authority considers should be made for all or any part of the cost of maintaining such property other than any payment of principal on any mortgage or agreement for sale thereon.

Transfer of Property

13. (1) When the applicant or his spouse has made any assignment or transfer of property exceeding in value five hundred dollars within the five years preceding the date of application, the pension authority shall require the applicant to furnish all available information with respect to such assignment or transfer of property and from the evidence furnished shall determine whether or not such assignment or transfer was an assignment or transfer for the purpose of qualifying the applicant for pension or for a larger pension than he would otherwise be entitled to receive.

(2) Any assignment or transfer within the provisions of subsection one of this section shall, in the absence of evidence to rebut the presumption, be presumed to have been made for the purpose of qualifying the applicant for a pension or for a larger pension than he would otherwise be entitled to receive.

(3) When the pension authority is satisfied that an assignment or transfer was made for the purpose of qualifying the applicant for a pension or for a larger pension than he would otherwise be entitled to receive, the rate at which the value of the interest that the pensioner or his spouse had in such property is to be exhausted, as provided in section 9 (1) (*a*) of the Act, shall be the amount of the maximum income allowable to such applicant under the Act.

When Pension Shall Commence

14. (1) Every pension shall commence on the first day of the month following the month in which the application is approved; provided that

where such approval is given after the last day of the month in which the application was received by the pension authority and delay in approval has resulted from circumstances beyond the control of the applicant, the pension authority may, in its discretion, declare that such approval shall be effective as of an earlier date which shall, in no case, be prior to the first day of the month following the month in which the application was received by the pension authority, or the first day of the month following the month in which the applicant, in the case of an application for old age pension, attains the age of seventy years (or, in the case of an application for pension in respect of blindness, attains the age of twenty-one years) whichever is the later.

(2) Where a pension is suspended at the request of the pensioner, the pension shall not be reinstated prior to the date on which the pensioner requests reinstatement.

(3) Except in the case of a pensioner in receipt of pension in the Northwest Territories no pension shall be paid for any period of more than one month during which the pensioner is receiving direct relief out of moneys provided in whole or in part by Canada.

Manner Payable

15. Pensions shall be payable monthly in arrears and shall be paid by cheque in the form approved by the pension authority.

Incapacity of Pensioner

16. (1) In the event of the incapacity of any pensioner through infirmity, illness or any other cause, or, if the pension authority considers that the pensioner is using or is likely to use his pension otherwise than for his own benefit, the pension authority may pay the whole or any part of the pension of such pensioner to a trustee or trustees appointed by such pension authority to be expended for the benefit of the pensioner.

(2) Any such trustee or trustees appointed by such pension authority may resign or be removed by the pension authority and the pension authority may appoint another trustee or trustees in the place of the trustee or trustees resigned or removed.

(3) Any trustee so appointed shall, when required by the pension authority, make returns showing the amount of the pension received, the amount that has been expended for the benefit of the pensioner and the balance remaining in the hands of the trustee.

(4) Where a pensioner is being maintained in any institution appointed as trustee for the pensioner, the pension authority shall pay to such institution the whole or such proportion of the pension as is considered by the pension authority to be a reasonable sum for the maintenance of the pensioner and may require the institution to make available to the pensioner therefrom a sum which it considers a reasonable amount for his personal use.

Suspension of Pension

17. (1) The payment of a pension shall be suspended

(*a*) during the absence of a pensioner from Canada; provided that the pension authority may continue the payment of pension for any period of absence not exceeding ninety days in any calendar year where, in the opinion of the pension authority, the circumstances warrant such payment;

(*b*) during any imprisonment exceeding thirty days of a pensioner convicted of an offence;

(*c*) during the confinement of a pensioner as a public charge in any public mental institution;

(*d*) during the period that a pensioner fails to comply with the provisions of the Act and these Regulations, or fails to furnish to the pension authority any information that he is required to furnish.

(2) A pension authority shall recover from a pensioner any sum improperly paid by way of pension whether such sum was paid as the result of non-disclosure of facts, misrepresentations or any other cause, and, if the pension authority is unable to recover the whole of such sum, the pension authority shall suspend the payment of the pension of such pensioner until the aggregate amount of the suspended payments equals the sum improperly paid less any amount that has been recovered prior to such suspension; where the pensioner has not been guilty of fraud or misrepresentation the pension authority, in its discretion, may reduce the pension by an amount of not less than five dollars each month, so that, in a period not exceeding thirty-six months, the pension authority will recover the amount of such overpayment, but in the event of the death of the pensioner prior to such recovery, the pension authority shall file a claim against the estate of the pensioner, if any, for any balance at that time remaining unpaid.

(3) If, after the granting of a pension, a pensioner or his spouse makes any assignment or transfer of real or personal property without the approval of the pension authority, the payment of his pension may be suspended until the value of the equity of the pensioner in the real or personal property assigned or transferred has been exhausted at the rate of the maximum income allowable to such pensioner under the Act.

Increase or Reduction of Pension

18. Every pensioner shall forthwith report to the pension authority any change in his financial condition or in the financial condition of his spouse.

19. Any pensioner who desires to apply for an increase of pension to which he may be entitled under the Act, shall notify the pension authority and shall furnish all necessary information.

Management of Pensioner's Property

20. Any pension authority may, if so authorized by law of the province, and with the consent of the pensioner, assume the management of any property belonging to the pensioner.

21. The amount recovered by a pension authority from a pensioner or from the estate of a deceased pensioner in respect of any pension shall be distributed among the province granting the pension, Canada and any other province which has reimbursed the province granting the pension, in accordance with the amount of any such pension borne by each of them.

Accounting

22. Any sums due by Canada to any province in settlement of Canada's share of the net amount expended by any province in the payment

of pensions shall be ascertained as of the last day of March, June, September and December, shall be audited by the provincial auditor and shall be paid on the certificate of the provincial auditor as soon thereafter as possible, subject to final audit by officials of the Government of Canada.

23. In calculating the amount due by Canada to any province no account shall be taken of any sums that, under the provisions of the Act, such province is liable to reimburse another province or to be reimbursed by another province in respect of a pension granted therein or in such other province, nor shall any account be taken of the cost of administering or paying pensions.

24. In calculating the amount in respect of which any province is entitled to be reimbursed by another province under the provisions of the Act, regard shall be had only to the net amount of the pension paid by the province to be reimbursed after deducting therefrom the amount payable by Canada on account of such pension.

25. Balances due by one province to another province under the provisions of the Act shall be settled quarterly as of the same date as the sums due by Canada are payable from time to time.

26. The Minister charged with the administration of the Act may, at any time, require the province to furnish information, detailed or otherwise, in connection with statements of account rendered by the province, and shall have authority to order an examination, inspection and audit of all expenditures under the Act in any province, and the accounts with respect thereto, and the province shall permit the inspection in such examination of all papers and documents relating to pensions payments.

Interprovincial Board

27. The Governor in Council may appoint an interprovincial board to interpret and recommend alterations in the Regulations.

Part II

Pensions for Blind Persons

28. An applicant or other person shall be deemed to be blind only when the visual acuity of such applicant or other person, after correction through the use of proper refractive lens, is not more than 6/60 Snellen or the field of vision in each eye is reduced to less than ten degrees.

29. The pension authority forthwith after the investigation required by subsection one of section five of these Regulations is made and before approving the application, if it is satisfied that the applicant fulfills the conditions set out in sub-paragraphs (ii), (iii) and (iv) of paragraph (*a*), paragraphs (*b*) and (*c*) of section 8A and subsection (1) of section 9 of the Act, shall forward to the Minister the full name and address of the applicant and shall certify that the applicant has fulfilled such conditions.

30. (1) Upon receipt of the information as provided in section twenty-nine of these Regulations, the Minister, except as provided in section thirty-one of these Regulations, shall instruct the pension authority to have the applicant medically examined.

(2) The pension authority shall thereupon arrange with an oculist, who has been approved by the Minister, for the examination of the applicant and shall notify the applicant accordingly. The expenses of such examination, other than the cost of transportation and living expenses of the applicant incidental to such examination, may be paid out of moneys appropriated therefor by Parliament.

(3) The oculist shall conduct an examination in accordance with these Regulations and any instructions given by the Minister to whom he shall forward a report thereof on forms provided for that purpose.

(4) The Minister shall, upon receipt of such report, issue a certificate and shall forward the same to the pension authority; the certificate shall state *inter alia*

(*a*) whether or not the applicant is blind within the meaning of the Old Age Pensions Act and Regulations;

(*b*) whether or not the applicant is likely to continue to be blind within the meaning of the Old Age Pensions Act and Regulations; and

(*c*) the times at or before which additional medical examinations, if any, should be made to ascertain that the applicant continues to be blind within the meaning of the Old Age Pensions Act and Regulations.

(5) The pension authority, upon receipt of a certificate which certifies that the applicant is blind within the meaning of the Act and Regulations, may thereupon determine the rate of pension payable and approve the application in accordance with subsection one of section five of these Regulations; provided that if the pension authority is not satisfied that the applicant is blind within the meaning of the Act and Regulations, it may, notwithstanding the certificate, refuse to approve such application but shall, in such event, advise the Minister giving the reasons therefor.

31. Where the Minister has received satisfactory information that the applicant is blind within the meaning of the Act and Regulations he may dispense with the examination required by section thirty of these Regulations and forthwith issue the certificate as provided by subsection four thereof.

32. No pension shall be granted or paid until the Minister has certified that the applicant is blind within the meaning of the Act and Regulations.

33. No pension which has been suspended for a period in excess of six months shall be reinstated without first obtaining a certificate under section thirty or thirty-one of these Regulations.

34. The Minister may, at any time, require an applicant or pensioner to report for medical examination and to furnish such information as he or the pension authority may from time to time require.

35. No pensioner shall solicit alms and an applicant or pensioner who is found to have solicited alms may, in addition to any other action authorized by these Regulations, be required to furnish an undertaking to desist from soliciting alms in the future.

36. For the purpose of determining the age of a child of a pensioner, regard may be had to the documents or other evidence mentioned or referred to in section six of these Regulations.

37. For the purpose of determining whether a child of a pensioner is prevented from earning a livelihood by reason of physical or mental incapacity, the pension authority shall be guided by a certificate of a duly qualified medical practitioner.

38. (1) Any person receiving an old age pension under the Act may apply for a pension in respect of blindness in lieu of such old age pension. A pension in respect of blindness may be granted to such person upon compliance with the provisions of the Act and Regulations and thereupon the pension authority shall transfer the pension from the old age pension pay-list to the blind persons' pension pay-list and advise the Minister thereof in its monthly report.

(2) Any person receiving a pension in respect of blindness may, if otherwise eligible, request an old age pension in lieu thereof and the pension authority may thereupon transfer the pension from the blind persons' pension pay-list to the old age pension pay-list and advise the Minister thereof in its monthly report.

39. Records and accounts in connection with pensions for blind persons under the Act shall be segregated by the pension authority; advice of payments to such persons, as well as all changes in the rate of pension, shall be made monthly to the Minister on a separate statement certified by the chief officer of the pension authority and the provincial auditor.